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Subject: Hemp & CBD Regulation in Colorado: Join the Discussion

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Denver Marijuana Management Symposium

2019 Symposium's Participating Organizations

Participating Organizations

**Hurry! Hotel rooms are going fast.
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With the passage of the 2018 Farm Bill, the hemp industry is advancing at an exponential rate with hemp--derived CBD and other products popping up everywhere. Public sector officials are seeking guidance on issues such as interstate transportation, sourcing, and formulation of hemp products in lieu of pending USDA and FDA regulations. Attend the **Denver Marijuana Management Symposium** panel, ***Hemp and CBD in Colorado***, to hear a discussion on strategies to mitigate public health and safety risks associated with this largely unregulated market.

Bus tours of a number of cannabis--related facilities in Denver are now available.

Featured Speakers

Erica Rogers, *Policy Analyst*, DENVER DEPARTMENT OF
EXCISE & LICENSES

Wondirad Gebru, *Deputy Director, Plant Industry Division*,
COLORADO DEPARTMENT OF AGRICULTURE

Kara Lavaux, *Food Safety and Marijuana Program Supervisor*,
DENVER DEPARTMENT OF PUBLIC HEALTH & ENVIRONMENT

Jeff Lawrence, *Director, Division of Environmental Health &
Sustainability*, COLORADO DEPARTMENT OF PUBLIC
HEALTH & ENVIRONMENT

Jon Strauss, *State Manufactured Foods Program Coordinator*,
Division of Environmental Health & Sustainability, COLORADO
DEPARTMENT OF PUBLIC HEALTH & ENVIRONMENT

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cure® *Hot Topic!*

FDA Issues Warning to Curaleaf for 'Illegally Selling' CBD Products Claiming to Treat Cancer

Curaleaf, a Massachusetts-based marijuana producer and retailer, is accused of more than a dozen unfounded claims regarding its products containing cannabidiol.

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The Daily Insider

September 25, 2019



Bootsagain

How To Create Content at Scale for DTC Fashion Brands

By Chris Wood

TechStyle Fashion Group takes an all-in approach to UGC for Boots Season



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Cardlytics Rings the Nasdaq Bell

By Kim Davis, Chris Wood

Plus new AI moves from Sprinklr, and the growth of digital OOH



6 Continuing Challenges of Marketing Cannabis Online

By Kayla Matthews

Cannabis purveyors are growing their own marketing strategies organically



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Shoptalk Ticket Prices Go Up Friday!

Introducing an all-new and improved Shoptalk for 2020. Join the world's largest community of retail change-makers on March 22-25 at Mandalay Bay, Las Vegas to kick off the next decade of retail innovation. Ticket prices go up Friday at midnight.

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All Aboard! Photos From 40UNDER40

We set sail on the Aqua Azul, and here's what happened



How Much Do Micro-Influencers Get Paid?

By David Pring-Mill

The \$ Figures of micro-influencer marketing



Marketing The Meatless Farm Co with Kasper Vesth

Meatless Farm products have just joined the burgeoning plant-based "meat" product category in the States. On the day of the Global Climate Change Strike, we're talking about the environment as well as marketing



How a CDP Can Help You Manage Your Customer Portfolio

By Chris Wood

A new CDP offering from AgilOne extends core capabilities with Cohort Analysis



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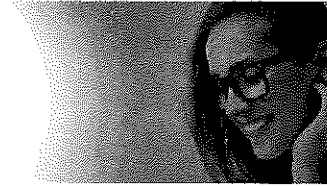
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In-App Bidding Gains Speed as Mobile Game Publishers Look to Increase Monetization

By Chris Wood

A new solution from ironSource, called LevelPlay, signals that the in-app bidding environment is finally



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Jacobs Podcast

How Digital Transformation Is Changing the Marketing Industry

By Kayla Matthews

From collaboration to customer relationships, here are the biggest impacts transformation can make on your organization



One on One: Jeremy Jacobs on the Highs and Lows of Cannabis Marketing

An honest look at the space, and the opportunities and challenges it brings



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It's that time again. Every year since 2013, DMN has inducted some of the most impressive women in the marketing industry into the Marketing Hall of Femme. We're ready to see what 2020 brings - as we will again be honoring a select group of senior women marketers.

Nominations are Open!

Engaging Millennials with Mobile Banking Tools

By Chris Wood

Truebill teams up with Fluent's The Smart Wallet in an effort to make Millennial budgets more manageable on mobile



Salesforce Innovates on Email, Sitecore Heads to Orlando

By Kim Davis, Chris Wood

Salesforce today announced a series of Einstein-driven email innovations in Marketing Cloud Email Studio, including automated content selection, improved insight into performance, interactive email...



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By Marjorie Romeyn-Sanabria

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How OTT is Using Data to Support Transparency, Privacy and Trust

By Chris Wood

With Privacy.TV, Tru Optik aims at getting the connected TV ecosystem CCPA compliant



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It Only Takes 1 Phish: Wichita State University Employees Get Fooled Into Losing Their Paychecks

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CyberheistNews Vol 9 #04 | Jan 21st., 2019

It Only Takes 1 Phish: Wichita State University Employees Get Fooled Into Losing Their Paychecks

Three employees of the university fell prey to a common scam asking for their credentials, giving cybercriminals access to change banking details.

We've said it time and time again: the bad guys do their homework. In the case of the attack on WSU employees, cybercriminals spoofed the university's payroll system and sent emails to employees tricking them into providing their university ID and password. That was all the attackers needed to gain full control to the employee's profile, personal data, and most importantly – banking information.



It wasn't until a number of employees did not receive their paychecks that the scam was found out. At least three members of the WSU staff fell for the scam, allowing cybercriminals to alter the employee's personal banking details which caused paycheck payments to be routed to the criminals' bank.

The university implied that they would make the employee whole, despite not being responsible for the attack, but indicated that they would not be able to do so in the future should it happen again.

Cybercriminals are in the business of ensuring their efforts pay off. It's the primary reason they target specific industries, businesses, and even people. The more context they can gather (e.g., the payroll system used specifically by WSU), the higher the chances of successfully fooling an employee into taking the bait.

Organizations need to keep employees on their toes with security top of mind to avoid incidents like this. When users step through security awareness training, they are taught about the attacks methods used, and to be suspicious of anything that seems out of the ordinary, scrutinizing email, web pages, and even phone calls – all to make sure your organization is protected against successful attacks.

There are several more items further down with similar incidents, the bad guys have moved toward "payroll attacks" in a big way.

Proposed N.C. Bill Would Require Ransomware Disclosures

North Carolina Attorney General Josh Stein released a report on Thursday that highlights the impact of data breaches on the state in 2018, and paired the report with a bipartisan bill to strengthen breach notifications to include ransomware attacks.

Stein, a Democrat, and N.C. House Rep. Jason Saine, a Republican, introduced a bill to expand the definition of breach to include ransomware attacks, and to tighten breach notification rules. Under the new bill, organizations would have to report ransomware attacks to affected individuals and the state

attorney general's office within 30 days.

The bill also would require businesses that own or license personal information to have "reasonable security procedure and practices."

On the consumer side, the bill reduces the notification window for breaches to 30 days, allows people to freeze their credit cards for free, monitor their credit for free for four years if a consumer reporting agency like Equifax suffers a breach, and requires companies to obtain consent when seeking credit scores.

Diving into the details, nearly 45 percent of breaches were the result of hacking, while 26 percent were attributed to phishing, and 17 percent to accidental release. Hacking saw a decline from 2017, while phishing saw the most growth among categories, growing by 11 percent. Continued:
<https://blog.knowbe4.com/proposed-n.c.-bill-would-require-ransomware-disclosures>

[Live Webinar] The Real World: New-School Security Awareness Training... From the Trenches

This is the true story of an IT Manager who was tired of his users clicking on everything and wanted to teach them a lesson... in a good way. Find out what happens, when you stop being polite, and start getting real. New-school security awareness training!

In this "From the Trenches" event, we'll talk with Tory Dombrowski, IT Manager at Takeform and KnowBe4 customer, about his experiences and lessons learned while designing and delivering a security awareness training plan for his users.

Erich Kron, KnowBe4's Security Awareness Advocate, and Tory will dive deep to share best practices and creative ideas, so you know what to expect when executing your own program.

In this webinar you'll learn:

- Why it's so important to empower your users to become a "human firewall"
- What it's really like to get executive buy-in and implement security awareness training and simulated phishing
- The good, the bad and the truly hilarious results of training and testing your users

Join us on **Tuesday, January 29th @ 1:00 pm ET** to get the real story from this KnowBe4 customer!

Save My Spot:

<https://event.on24.com/wcc/r/1917698/C442E28AAAF4D9ECE1D937F02ABE84B9?partnerref=CHN>

Violence, Drugs and... Cyberattacks Worry HR in 2019

Sometimes, IT and HR are at odds with each other for various reasons. Here is a great way to get alignment between these two groups: Cyberattacks.

The Society for Human Resource Management (SHRM) just released a report that showed the things that keep HR people up at night, and there is some interesting overlap: workplace violence, marijuana use, data security, leave laws and workforce planning are among the most difficult challenges for employers this year.

Here is an article with experts who weigh in with tips and strategies on how to respond to and prepare for these challenges. Yours truly is quoted:

<https://www.shrm.org/hr-today/news/hr-news/Pages/2019-HR-Challenges.aspx>

Find Out if Any of Your Users Are Exposed in This Brand New Humongous Data Breach

Troy Hunt, the site admin of Have I Been Pwned (HIBP) just released some disconcerting news. A new data breach of humongous proportions has just been made public, we are talking astronomical numbers. He has called this data set "Collection#1" and it consists of:

- email addresses and passwords totaling 2,692,818,238 rows
- 1,160,253,228 unique combinations of email addresses and passwords
- unique email addresses totaled 772,904,991
- there are 21,222,975 unique passwords (that's too many reused passwords!)

Troy has loaded all this information in Have I Been Pwned and there is lots more detail about this new breach over at Troy's Blog. The database seems to have been put together for credential-stuffing attacks, in which hackers rapidly test email and password combinations at a given site or service. This is typically a fully automated process which preys especially on people who reuse passwords across multiple sites on the internet.

Investigative reporter Brian Krebs remarked that this seems to be a compilation of well over 2,000 breaches and that most data is a few years old. He also commented that other and more recent "collections" were available too.

How Serious Is This?

WIRED called it: "Pretty darn serious! While it doesn't appear to include more sensitive information, like credit card or Social Security numbers, Collection #1 is historic for scale alone. A few elements also make it especially unnerving:

1. Around 140 million email accounts and over 10 million unique passwords in Collection #1 are new to Hunt's database, meaning they're not just duplicates from prior megabreaches.
2. Then there's the way in which those passwords are saved in Collection #1, these are all plain text passwords.
3. And lastly, Hunt also notes that all of these records were sitting not in some dark web backwater, but on one of the most popular cloud storage sites—until it got taken down—and then on a public hacking site. They weren't even for sale; they were just available for anyone to take."

Find out if any of your users are exposed in this brand-new humongous data breach.

KnowBe4's Password Exposure Test (PET) is a brand-new and complimentary IT security tool that allows you to run an in-depth analysis of your organization's hidden exposure risk associated with your users. It has a link to the HIBP site and will check for all the compromised data above.

PET makes it easy for you to identify users with exposed emails publicly available on the web, and checks your Active Directory to see if they are using weak or compromised passwords that are part of a known data breach. PET then reports on any user accounts affected **so you can take action immediately!**

With Password Exposure Test you can:

- **Search and identify** any of your users with exposed emails, account information, or passwords available on the web
- Quickly **isolate password security vulnerabilities** and easily identify high risk passwords being reused within your organization
- **Generate a detailed report** on user accounts affected. You can download the summary report as a PDF or Excel file directly within the tool

Get your results in a few minutes! You are probably not going to like what you see. Download Now:
<https://info.knowbe4.com/password-exposure-test-chn>

[LIVE DEMO] See This New Phishing Threat Response Product PhishER

Your users are likely already reporting potentially dangerous emails in some fashion within your

organization. The increase of this email traffic... can present a new problem!

With only approximately 1 in 10 user-reported emails being verified as actually malicious, how do you handle the real phishing attacks and email threats —and just as importantly— effectively manage the other 90% of user-reported messages accurately and efficiently?

Now you can with PhishER, a new product that's a huge time-saver for your Incident Response team. See how you can best manage your user-reported messages.

Join us, Wednesday, January 23, 2019, at 2:00 pm (ET), for a live 30-minute demo of the new PhishER platform. With PhishER you can:

- **Cut through your Incident Response inbox noise** and respond to the most dangerous threats more quickly
- **Automate message prioritization** by rules you set into one of three categories: Clean, Spam or Threat
- See **clusters of messages** to identify a potential phishing attack against your organization
- **Meet critical SLAs** within your organization to process and prioritize threats and legitimate emails
- **Easy integration with KnowBe4's email add-in button, Phish Alert**, or forwarding to a mailbox works tool

Find out how adding PhishER to your incident response efforts can help you identify and respond to email threats faster!

Date/Time: Wednesday, January 23, at 2:00pm (ET)

<https://event.on24.com/wcc/r/1911625/E0C2F3FF742A2710084BC81479E21747?partnerref=CHN>

Get the Unique "2019 Security Threats and Trends" Survey Results First!

Once a year, KnowBe4 runs its **Security Threats and Trends** Survey. We're polling IT and Security executives, administrators and professionals like yourself on what technology and business issues you consider your organization's biggest security threats and challenges over the next 12 months.

It will take you 5 minutes tops. As a reward, you get the results first, and will allow you to compare yourself with your peers. It's multiple choice with one essay question. ALL responses are confidential.

Anyone who completes the survey and includes their Email address in the Essay question along with a comment gets a complimentary copy of the Executive Summary and the accompanying PowerPoint presentation of the survey results. The person who provides us with the best Essay comment will win a \$100 Amazon gift card.

Here's the link to the new 2019 survey:

<https://www.surveymonkey.com/r/52QKNVC>

Let's stay safe out there.

Warm Regards,
Stu Sjouerman
Founder and CEO
KnowBe4, Inc

PS: Every quarter, the KnowBe4 Technical Content team creates an update of all the new content and features that have been added the last three months. Here is the Jan 2019 10-min video, which covers a wealth of cool new stuff that was added to your platform!

<https://blog.knowbe4.com/video-knowbe4-quarterly-product-update>

PPS: Want your kids to stay safe online? Here's a fun, no-cost interactive cybersecurity activity kit for children, introducing Captain Awareness:

https://www.prweb.com/releases/knowbe4_offers_no_cost_childrens_interactive_cybersecurity_activity_kit/prweb1603

Quotes of the Week

"One of the sanest, surest, and most generous joys of life comes from being happy over the good fortune of others." - Robert A. Heinlein, Sci-Fi Author (1907 - 1988)

"The supreme irony of life is that hardly anyone gets out of it alive."
- Robert A. Heinlein, Sci-Fi Author (1907 - 1988)

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<https://blog.knowbe4.com/cyberheistnews-vol-9-4-it-only-takes-1-phish-wichita-state-university-employees-get-fooled-into-losing-their-paychecks>

Security News

Criminals Steal €97,000 From Irish Law Firm After Intercepting Email

A Dublin law firm lost €97,000 when criminals changed bank details in an intercepted email, according to the Law Society of Ireland. The firm was acting to redeem a mortgage when the email was intercepted. The attacker changed the account information to point to a fraudulent account in an Ulster Bank branch. The money was transferred to this account, and it has since been withdrawn.

This attack followed another attempt in which an attacker intercepted an email and changed the details to those of a bank account in Turkey named "Bitcoin Concept." This email was identified as fraudulent, and the firm contacted the legitimate account holder to obtain the correct bank details.

An alert on the Law Society's website states that "both external and internal emails have been intercepted and the details amended" in these attacks, and advises legal professionals to ensure that they verify financial details contained in emails before approving money transfers.

"Members of the profession are advised that as far as possible, they should not rely upon bank account details received in an email," the Law Society states. "However, in cases where this is done, it is imperative that the individual transferring the money is the person verifying the account details."

The Law Society also says that you shouldn't use a phone number in an email to verify the email's authenticity. If an email is fraudulent, then the phone number is almost certainly fake as well. You should instead obtain the number from a separate source, such as the Law Directory or a legitimate company website.

New-school security awareness training can teach employees to be suspicious of email communication, especially when it involves financial information. The Independent has the story:
<https://www.independent.ie/service/terms-and-conditions-of-independent-ie-website-and-app-26853554.html>

BenefitMall Hit by Months-Long Data Breach

The Dallas-based payroll firm BenefitMall announced on January 4 that nearly 112,000 customers may have had their personal information exposed during a four-month long data breach. The breach was discovered on October 11, when the company realized that several internal email accounts had been compromised by phishing attacks.

The company brought in a third-party forensics team, which found that the initial compromise occurred in June 2018. The attacker gained access to additional accounts in the months that followed.

In a press release, BenefitMall stated that the "emails in the affected mailboxes may have included consumers' names, addresses, Social Security numbers, dates of birth, bank account numbers, and information relating to payment of insurance premiums."

The company didn't explain why it took so long to notify customers after the breach was discovered, but says it's working with law enforcement to investigate the incident.

BenefitMall stated that it's put new security measures in place, such as two-factor authentication, to protect its email accounts from future attacks. The company is also committing itself to ongoing education and training programs to help its employees recognize phishing emails.

While these are steps in the right direction, organizations should implement these measures before they experience a data breach. New-school security awareness training can help your employees identify and report phishing attempts when they occur. HealthITSecurity has the story:
<https://healthitsecurity.com/news/4-month-breach-of-benefitmall-impacts-112000-plan-members>

More BEC Attacks Are Targeting Executives' Payrolls

There's been an increase in business email compromise (BEC) scams targeting HR employees, according to James Linton at Agari. Scammers are impersonating high-ranking employees at companies and attempting to have these employees' paychecks diverted into an attacker-controlled bank account.

In order to do this, they first gather information on employees at the company so that they know who to target and who to impersonate. The impersonated individual is usually the CEO or another executive at the company.

Next, the scammer sets up an email account that spoofs the name of this executive, and sends an email to an employee who is responsible for the company's payroll services. This email contains some excuse for why the impersonated executive needs to change his or her direct deposit details.

Linton says that the attacker will then continue to use social engineering tactics until the target approves the request.

"From this point, the threat actor will be thinking on their feet to a certain extent; their main aim is to avoid being directed to any online third-party HR solution that would require access details they do not possess," writes Linton. "Knowing this, any attempts to add undue urgency or absolve themselves of the ability to complete the usual process should immediately trigger a red flag."

It should also be noted that the threat actors are not phased by being asked to provide a voided check displaying the new accounts details, and have successfully provided these when requested of them."

Linton recommends that all organizations "evaluate their current processes for updating payroll details." A multi-factor system should always be implemented wherever possible. If this isn't available, organizations should have a process which ensures that "an element of human contact is established before completion of the request."

Employees should be taught that email, by itself, is not a verifiable form of communication. They should always confirm the legitimacy of important requests made via email. Agari has the story:
<https://www.agari.com/email-security-blog/bec-gangs-payroll-scams/>

Training Is the Key to a Culture of Security - Part II

Here's a follow-up to an earlier post of ours, with amplification of points well-worth making.

Trained employees are a central component of an organization's security posture, according to Freaky Clown (FC), CEO and Head of Ethical Security at Cygenta.

FC is a professional red teamer who tests the security of organizations by breaking into them. FC talked to

Carole Theriault in part two of an interview on the CyberWire's Hacking Humans podcast.

FC says that managers are often surprised by how far he can get without being caught, because employees don't know to watch out for threats. He describes a number of unusual situations in which he has convinced employees to participate in strange activities, such as building teepees with their coats as a team building exercise, or setting up a bar in a government building.

"You can genuinely just confuse people enough to think that they should be helping you," he says. FC explains that just one employee who knows what an attack looks like can make the difference between a thwarted attempt and a devastating cyberattack:

"If you see some of the massive cyberattacks that we've seen recently - like, you know, sort of a billion pounds tried to be stolen from the SWIFT network - that was stopped by one analyst. And we're seeing things like that all the time. Even some of our clients who have had massive spear-phishing attacks, like you know, CEO fraud, that was stopped because one person was like, 'that's odd'.

That doesn't sound like the way that Jeff would write an email. They understand it. If they know what can be done and how it would be done, then they're in a much better position to stop it before any technology can even get in."

He adds that companies that feel overwhelmed by the task of security education should bring in professionals to make the job easier: "Whatever your role is as a company, you're doing that. You can't be expected to understand all of the security threats. So that's where a security company comes in and goes, OK, look. We understand how criminals are working because we see this day to day.

We understand how the criminal organizations are working. We understand how nation-state attackers are working. So what is your threat level? Try to build up on that." There's no reason to waste time on PowerPoint slides and corporate videos when a security company can give your employees a better education on the most relevant threats.

New-school security awareness training can be a crucial asset for organizations that want to maximize their security. "Having a great security culture in a company is your best asset," says FC. "It really is. People always say, like, humans are the weakest link. No, they're the weakest link until you train them. And then they are your strongest link." The CyberWire has the story:
<https://thecyberwire.com/podcasts/cw-podcasts-hh-2019-01-10.html>

What KnowBe4 Customers Say

"Stu, we're happy with KnowBe4 so far! We've been impressed with the features available and we feel like it's a really good value for the price. It is helping us meet our customers' requests that we implement a security awareness training program for our employees, and I think it really has caused our employees to think more about their role in protecting against security threats. Thank you for checking in on us, KnowBe4 really does seem to care about their customers!"
- H.M., Sr. IT Systems Engineer

"Stu, thanks for reaching out! So far the experience from KnowBe4 has been everything I hoped for, and then some! Brandie Leffler was assigned as our Customer Success Manager. She was instrumental in developing our first phishing campaign and reviewing the results. We implemented our training campaign based on the phishing results and are working towards a solid cybersecurity awareness baseline for all employees.

"My only regret is that I didn't push for this service sooner. I've been extremely pleased with the depth of training material available and how quickly the employees were able to complete training modules on their own with very little guidance or instruction. The intuitive nature of the platform is making my job easier, especially as I revamp our training program to align with NIST CSF standards. In that respect, Brandie deserves recognition. She helped me pick out modules based on regulator needs versus my desires to shore up internal knowledge and habits.

"I look forward the end of the year, where I'll be able to assess the company's growth and improve with

KnowBe4's product line. Please let me know if I can provide any additional comments or feedback. Once again, thanks for reaching out!"

G.I., Network Administrator

P.S. If you want to see KnowBe4 compared to other products in an objective, legit platform that makes sure the reviews are fully vetted, check Gartner Peer Insights:
<https://www.gartner.com/reviews/market/security-awareness-computer-based-training>

The 10 Interesting News Items This Week

1. DNC Says Russia Sent Spear Phishing Attacks After 2018 Midterms:
<https://www.wsj.com/articles/dnc-says-russia-tried-to-hack-into-its-computer-network-days-after-2018-midterms-11547831410>
2. How to protect backups from ransomware:
<https://www.csoonline.com/article/3331981/ransomware/how-to-protect-backups-from-ransomware.html>
3. Dirt-Cheap, Legit, Windows Software: Pick Two:
<https://krebsonsecurity.com/2019/01/dirt-cheap-legit-windows-software-pick-two/>
4. Government Shutdown's Negative Impact on Federal Cybersecurity:
<https://securityboulevard.com/2019/01/government-shutdowns-negative-impact-on-federal-cybersecurity/>
5. Singapore suffers 'most serious' data breach, affecting 1.5M healthcare patients including Prime Minister:
<https://www.databreaches.net/employees-sacked-ceo-fined-in-singhealth-security-breach/>
6. 43% of businesses are still running Windows 7 on some machines; security threats remain:
<https://www.helpnetsecurity.com/2019/01/15/still-running-windows-7/>
7. I can get and crack your password hashes from email:
<https://www.csoonline.com/article/3333916/windows-security/i-can-get-and-crack-your-password-hashes-from-email.html>
8. 91% of cybersecurity pros fear hackers will use AI to attack their company:
<https://www.techrepublic.com/article/91-of-cybersecurity-pros-fear-hackers-will-use-ai-to-attack-their-company/>
9. North Korean Hackers Gain Access to Chilean ATMs Through Skype:
<https://gizmodo.com/employee-falls-for-fake-job-interview-over-skype-gives-1831801832>
10. Cryptomining Malware Uninstalls Cloud Security Products:
<https://threatpost.com/cryptomining-malware-uninstalls-cloud-security-products/140959/>

Prepared in cooperation with the CyberWire research team.

Cyberheist 'Fave' Links

This Week's Links We Like, Tips, Hints and Fun Stuff

- Katelyn Ohashi's Perfect Gymnastic Performance gets a 10.0 and went Massively Viral:
https://www.flixy.com/katelyn-ohashis-perfect-gymnastic-performance.htm?utm_source=4
- This week's episode of 'People Are Awesome' featuring ordinary people doing extraordinary things:
https://www.flixy.com/people-are-awesome-best-of-week-2-2019.htm?utm_source=4

- "Ransomware Humor" Two Words You Thought You Would Never See Together:
<https://blog.knowbe4.com/ransomware-humor-two-words-you-thought-you-would-never-see-together>
- SPIDER-MAN: FAR FROM HOME - Official Teaser Trailer:
<https://www.youtube.com/watch?v=DYYtuKyMtY8>
- #1 Best Workplace in Technology by Fortune and Great Places to Work!: Make sure to click on Small & Medium Companies:
<https://www.greatplacetowork.com/best-workplaces/technology/2019>
- Trend Micro Researchers Prove How Easy it is to Hack a Construction Crane and Cause Destruction:
<https://www.hackread.com/watch-as-hackers-take-over-construction-crane/>
- Protect Your Car From A High-Tech Hack Using The Old RFID Relay Hack. A tin foil hat for your car keys supposedly hampers the signal. LOL:
<https://youtu.be/8NAHqBXoCZs>
- Hiscox UK Stages RL "Cyber Attack" to Show Small Businesses What It's Like to Be Hacked:
<https://www.youtube.com/watch?v=Y1b8865GOHU&feature=youtu.be>
- Fearless female Diver swims and "holds hands" with 20-foot monster great white shark:
https://youtu.be/vuE_ubJiCQs
- CurlyKidLife does an incredible job on his Instagram channel creating funny and short little skits, playing with visual effects:
<https://www.flixy.com/do-you-believe-everything-you-see-on-film-or-video.htm>
- Two very cool videos on negotiations from the lead FBI hostage negotiator. Thought you might like to see these if you get hit with a ransomware infection:
<https://www.youtube.com/watch?v=llctqNJr2IU>
<https://www.youtube.com/watch?v=guZa7mQV1I0>
- Artificial intelligence made this robot dog a very good boy
<https://www.popsci.com/robotic-dog-artificial-intelligence>
- Watch builders construct a life-size Chevy truck with 300,000 LEGO bricks:
<https://youtu.be/iTw8MHmPKUI>

From: Denver Marijuana Management Symposium 2019 <events@email.infocastinc.com>
Sent time: 07/30/2019 12:02:21 PM
To: freeholderkelly@co.ocean.nj.us
BCc: jkelly@co.ocean.nj.us; dconnors@co.ocean.nj.us; ocinfo@co.ocean.nj.us
Subject: Join Colleagues from these Jurisdictions at the Summit

[View in browser](#)

Denver Marijuana Management Symposium

2019 Symposium's Participating Organizations

Participating Organizations

Early Bird prices end shortly.
Register now and save.

REGISTER NOW

100+ local, municipal, and county officials are attending the 5th annual **Denver Marijuana Management Symposium**, including officials from:

- Law enforcement agencies (police & sheriffs' departments)
- Fire & building code enforcement
- Public health & safety departments
- District attorneys' offices
- City & county management

Join them to:

- Learn about best practices for regulation from the most experienced marijuana regulators throughout the world
- Network and build valuable relationships with 400+ public

sector officials from around the U.S.

- Stay ahead of the curve on international, national, state, and municipal marijuana policies
- Attain both a high-level overview and an in--depth technical understanding of developing, implementing, and enforcing marijuana regulation
- Stay updated on the fast--paced, dynamic marijuana industry and the public sector implications surrounding it

Officials from these jurisdictions are coming to the Summit:

- Alameda County Health Care Services, CA
 - Boulder County, CO
 - City of Chula Vista, CA
 - City of Colorado Springs, CO
 - City of Colton, CA
 - City of Farmersville, CA
 - City of Fort Collins, CO
 - City of Fort Collins, CO
 - City of Grand Rapids, MI
 - City of Las Vegas, NV
 - City of Northglenn, CO
 - City of Sacramento, CA
 - City of San Diego, CA
 - Clark County, NV
 - Fairmount Fire Protection District, CO
 - Imperial County Sheriff's Office, CA
 - King County, WA
 - Lansing Police Department, MI
 - Los Angeles County, CA
 - Merced County, CA
 - Michigan State Police
 - Municipality of Anchorage, AK
 - Ohio Attorney General's Office
 - Pueblo County Planning and Development Department, CO
 - Pueblo Department Public Health and Environment Department, CO
 - Royal Canadian Mounted Police
 - San Jose Police Department, CA
 - San Luis Obispo Police Department, CA
 - Sarasota County, FL
 - State of Colorado Department of Local Affairs
 - State of Illinois Department of Agriculture
 - State of Iowa Department of Public Health
 - State of Michigan
 - Sterling Police Department, IL
 - Township of Langley, British Columbia
 - Wylie Police Department, TX
-

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From: Eric Merrill <eric.merrill@livetrainingssolution.com>
Sent time: 03/24/2020 08:31:01 AM
To: Kelly, John
Subject: Last Call - What Employers Can Legally Do Over Concerns about Joints, Edibles, Oils, and Vapin

Marijuana and CBD Update: What Employers Can Legally Do Over Concerns about Joints, Edibles, Oils, and Vapin

Live Webinar | Presented By: Ralph R. Smith, 3rd, Esq.

Date: March 25, 2020 | Time: 1 pm EST

Apply "USA30" to get \$30 off

REGISTER NOW

As laws change on the legality of marijuana use, employers are more perplexed than ever about what they can do, and whether they can regulate and prohibit drug use amongst their employees. Many questions have arisen. For example, can an employer continue to test for drug use? How do federal laws barring drug use (or risk loss of government funding) impact an employer's ability to test its workforce? Even if state law allows use, why can't an employer test for marijuana use since it is still illegal under federal law? And does it matter that the use is for medical purposes? These and other related questions will be addressed during this webinar.

Session Highlights

- Current trends in marijuana laws
- Employer's rights and duties in the workplace in addressing marijuana usage among its workforce.
- Interplay with federal and state disability accommodation requirements on medical marijuana use
- Dealing with drug-free workplace policies as federal funding requirements
- Crafting effective policies to address marijuana use among employees

Learning Objectives

By attending this seminar, you will develop a greater understanding of this evolving area of the law. You will get up to date tips on how to craft effective policies, and learn how to navigate through these difficult issues to better protect your company from possible legal problems. You will also receive practical advice on how to better handle these issues when your company is faced with resolving such problems.

Apply "USA30" at check-out to get \$30 off on your registration.

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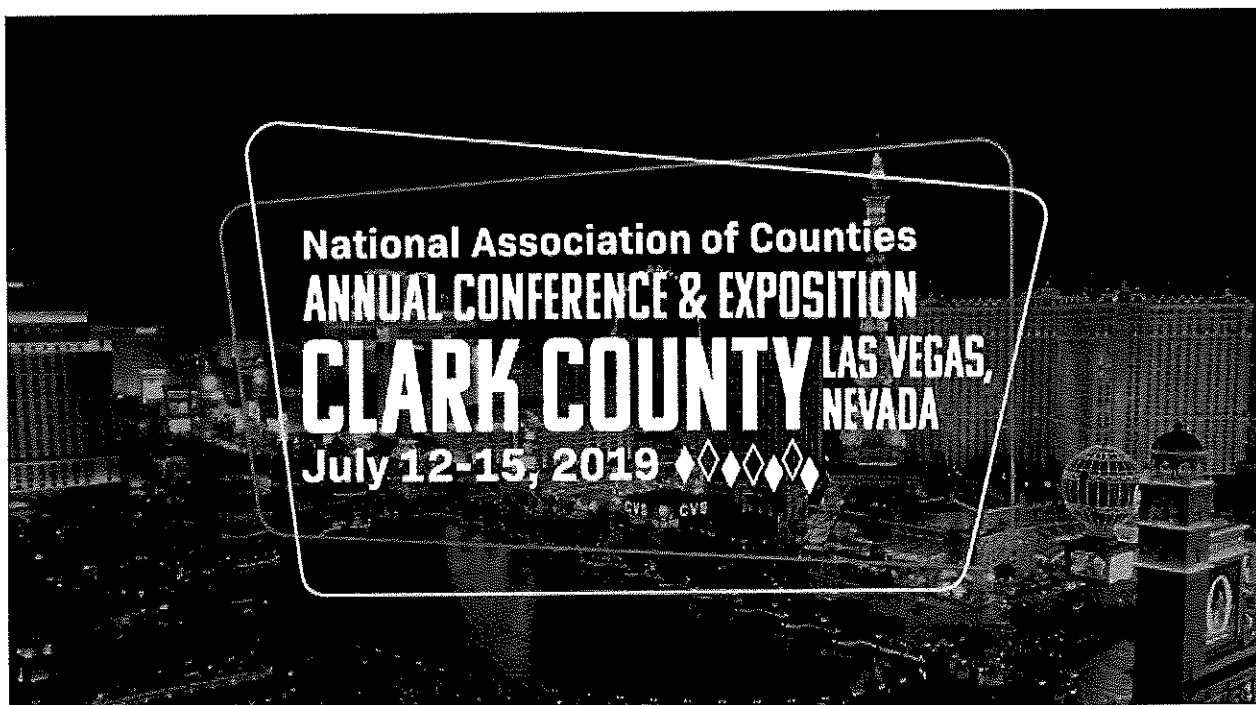
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Subject: Last chance for the best price -- NACo Annual Early Bird ends tomorrow!

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EARLY BIRD PRICING ENDS TOMORROW

Register today & join us in Clark County / Las Vegas, Nev.

Register today for the National Association of Counties (NACo) Annual Conference and Exhibition in Clark County, Nev., July 12–15. Join fellow county officials to shape NACo's federal policy agenda, elect NACo leadership and exchange proven practices to improve residents' lives, maximize the efficiency of county government and hone leadership skills for the future.

Secure the lowest possible prices. **Register by May 30!**

[REGISTER TODAY](#)

[VIEW SCHEDULE](#)

CONFERENCE HIGHLIGHTS

WORKSHOPS & SYMPOSIUMS INCLUDE

Schedule subject to change

Substance Use Disorder Interventions in the Justice System

Demystifying Health Equity: County Approaches and Strategies

Reducing Criminal Justice Fines and Fees: Can Counties Afford it?

Cannabis Legalization: Lessons Learned

County Strategies for Promoting Affordable Homes

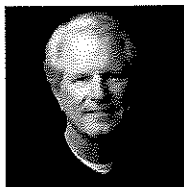
Disaster Management Symposium:
Improving Your Leadership Role in Incident Management

Telling Your County's Story When the Media Won't

...and more!

Visit the conference schedule for the most up-to-date information and to plan your conference itinerary.

FEATURED KEYNOTES



ROY SPENCE

Co-Founder and CEO of The Purpose Institute



DAVID KWONG

Illusionist, *New York Times* crossword writer and television producer

HOTEL INFORMATION

With the exception of off-site events, all conference activities will take place at Paris Las Vegas and Bally's Las Vegas.

For information to help you plan your trip and to view the current conference agenda and workshop descriptions, visit NACo.org/annual.

Register online and save
**\$95 OFF YOUR
REGISTRATION FEE!**
Early Bird ends May 30.
Visit us at NACo.org/annual

NACo National Association of Counties
ANNUAL CONFERENCE & EXPOSITION
July 12-15, 2019

CLARK COUNTY LAS VEGAS,
NEVADA

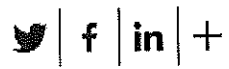
QUESTIONS?

Contact nacomeetings@naco.org or call 202.942.4292 for assistance.

NATIONAL ASSOCIATION *of* COUNTIES

660 North Capitol Street, NW, Suite 400

Washington, D.C. 20001



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BCc: jkelly@co.ocean.nj.us; dconnors@co.ocean.nj.us; ocinfo@co.ocean.nj.us
Subject: Last Chance to Register: The Symposium Starts Next Week

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Denver Marijuana Management Symposium

On October 1, the **Denver Marijuana Management Symposium** will open its doors to nearly 400 attendees from across the U.S. and around the world. Seasoned marijuana regulators, public health officials, and law enforcement officers will gather in Denver to:

- Learn about best practices for regulation from the most experienced marijuana regulators throughout the world
- Network and build valuable relationships
- Stay ahead of the curve on international, national, state, and municipal marijuana policies
- Attain both a high--level overview and an in--depth technical

understanding of developing, implementing, and enforcing marijuana regulations

- Stay updated on the fast-paced, dynamic marijuana industry and the public sector implications surrounding it

Don't miss out. This is the last chance to register for this premier event.

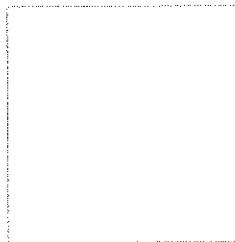
The Symposium Starts Next Week.

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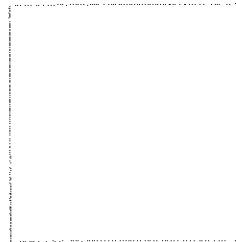
Featured Speakers



Michael B. Hancock
Mayor
CITY AND COUNTY
OF DENVER



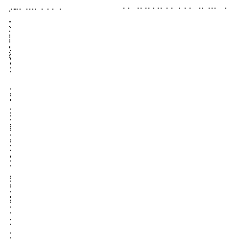
Andrew Brisbo
*Director, Bureau of
Marijuana
Regulation*
MICHIGAN
DEPARTMENT OF
LICENSING &
REGULATORY
AFFAIRS



Molly Duplechian
*Deputy Director,
Policy and
Administration*
CITY OF DENVER



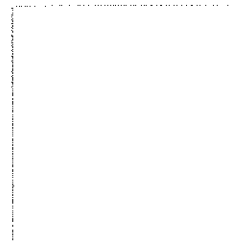
Erik Gundersen
Director
MAINE OFFICE OF
MARIJUANA POLICY



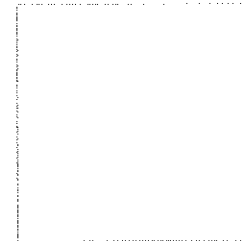
Nicole Elliott
*Senior Advisor,
Governor's Office
of Business and
Economic
Development*
STATE OF
CALIFORNIA



Ashley Kilroy
Executive Director
DENVER EXCISE &
LICENSES

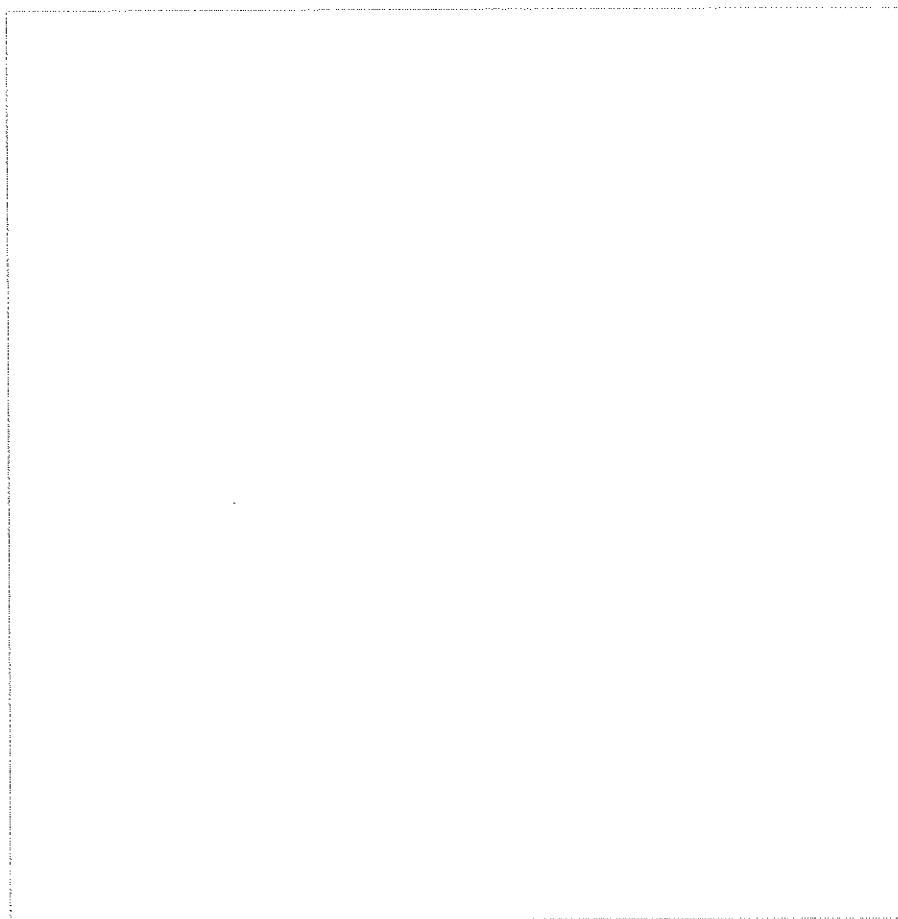


Renu Kulendran
*Executive Director,
Legalization of
Cannabis
Secretariat*
PROVINCE OF
ONTARIO MINISTRY



Cat Packer
*Executive Director,
Department of
Cannabis
Regulation*
CITY OF LOS
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Subject: Last Chance to Save \$150: Early Bird Prices End on August 16

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Denver Marijuana Management Symposium

2019 Symposium's Participating Organizations

Participating Organizations

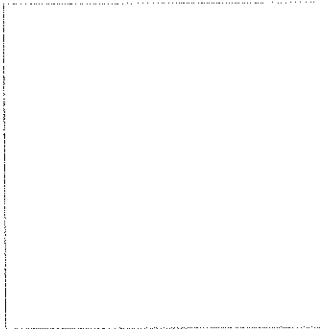
The 2019 **Denver Marijuana Management Symposium** will feature a gathering of hundreds of regulators, law enforcement personnel, and public health officials from around the world who are coming to Denver to:

- Learn about best practices for regulation from the most experienced marijuana regulators throughout the world
- Network and build valuable relationships with 400+ public sector officials from around the U.S.
- Stay ahead of the curve on international, national, state, and municipal marijuana policies
- Attain both a high-level overview and an in-depth technical understanding of developing, implementing, and enforcing marijuana regulation
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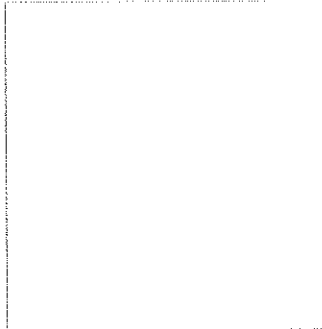
Don't miss your chance to register and save. Join your colleagues this October.

Last Chance to Save \$150
Early Bird Prices End on August 16

Featured Speakers



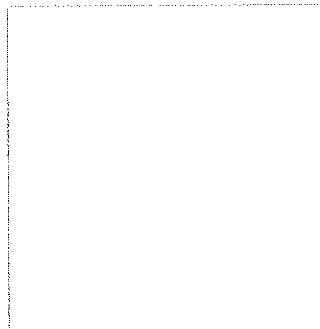
Michael B. Hancock
Mayor
CITY AND COUNTY OF
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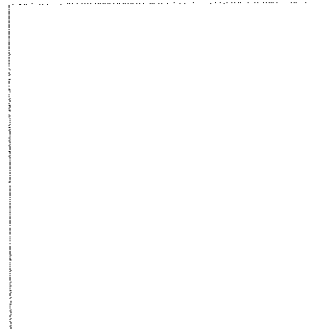
Andrew Brisbo
*Director, Bureau of
Marijuana Regulation*
MICHIGAN DEPARTMENT
OF LICENSING &
REGULATORY AFFAIRS



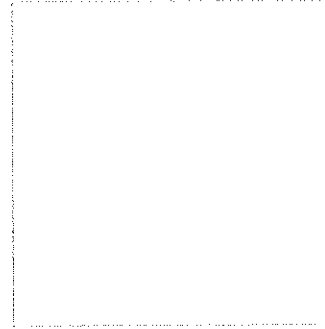
Jim Burack
Director
COLORADO MARIJUANA
ENFORCEMENT DIVISION



Ashley Kilroy
Executive Director
DENVER EXCISE &
LICENSES



Scott Moon
Division Chief Fire Marshal
SANTA ROSA FIRE
DEPARTMENT



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*Executive Director,
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Sent time: 09/16/2019 12:15:27 PM
To: freeholderkelly@co.ocean.nj.us
BCc: jkelly@co.ocean.nj.us; dconnors@co.ocean.nj.us; ocinfo@co.ocean.nj.us
Subject: Learn from Denver: How the City Prepared for Marijuana Regulation

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Denver Marijuana Management Symposium

When Colorado legalized adult-use marijuana in 2012, the City of Denver set on a path of developing regulatory guidelines to make marijuana legalization successful. As more and more states followed Colorado's example, the City of Denver administrators and enforcement officials became experts in all aspects of marijuana regulations.

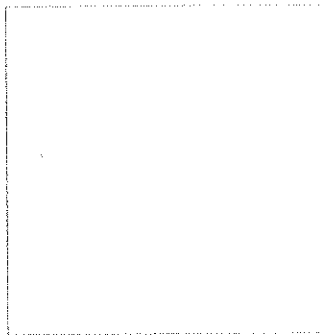
Register for the 5th annual **Denver Marijuana Management Symposium** to learn from Denver's top marijuana regulators and law enforcers, ranging from members of the city attorney's office to law and fire safety enforcement officers, from tax and excise managers to community planning and development officials.

Don't miss out on understanding and adopting the best practices employed by officials from the City of Denver.

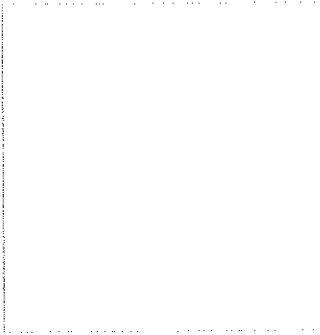
The Symposium starts in 2 weeks.

REGISTER NOW

Featured Speakers



Michael B. Hancock
Mayor
CITY AND COUNTY OF
DENVER



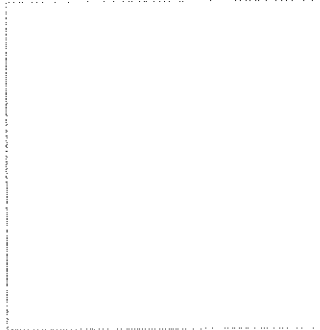
Anshul Bagga
Assistant City Attorney
CITY OF DENVER



Ashley Kilroy
Executive Director
DENVER EXCISE &
LICENSES



Kara Lavaux
*Food Safety & Marijuana
Supervisor*
DENVER DEPARTMENT OF
PUBLIC HEALTH &
ENVIRONMENT



Danica Lee
*Director, Public Health
Inspections Division*
DENVER DEPARTMENT OF
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*Public Health Investigator
– Cannabis Specialist,*
DENVER DEPARTMENT OF
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Sent time: 08/17/2020 07:34:40 AM
To: FreeholderKelly
Subject: Live Webinar - What Employers Can Legally Do Over Concerns about Joints, Edibles, Oils, and Vapin

Marijuana and CBD Update: What Employers Can Legally Do Over Concerns about Joints, Edibles, Oils, and Vapin

Live Webinar | Presented By: Ralph R. Smith, 3rd, Esq.

Date: August 27, 2020 | Time: 1 pm EST

Apply "USA50" to get \$50 off

REGISTER NOW

As laws change on the legality of marijuana use, employers are more perplexed than ever about what they can do, and whether they can regulate and prohibit drug use amongst their employees. Many questions have arisen. For example, can an employer continue to test for drug use? How do federal laws barring drug use (or risk loss of government funding) impact an employer's ability to test its workforce? Even if state law allows use, why can't an employer test for marijuana use since it is still illegal under federal law? And does it matter that the use is for medical purposes? These and other related questions will be addressed during this webinar.

Session Highlights

- Current trends in marijuana laws
- Employer's rights and duties in the workplace in addressing marijuana usage among its workforce.
- Interplay with federal and state disability accommodation requirements on medical marijuana use
- Dealing with drug-free workplace policies as federal funding requirements
- Crafting effective policies to address marijuana use among employees

Learning Objectives

By attending this seminar, you will develop a greater understanding of this evolving area of the law. You will get up to date tips on how to craft effective policies, and learn how to navigate through these difficult issues to better protect your company from possible legal problems. You will also receive practical advice on how to better handle these issues when your company is faced with resolving such problems.

Apply "USA50" at check-out to get \$50 off on your registration.

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Sent time: 08/21/2020 08:14:17 AM
To: FreeholderKelly
Subject: Live Webinar -Marijuana and CBD Updates

Marijuana and CBD Update: What Employers Can Legally Do Over Concerns about Joints, Edibles, Oils, and Vapin

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Angela Conover, Director, Opioid Response & Prevention Outreach
<admin@drugfreenj.org>

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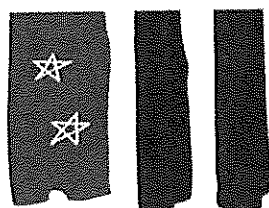
To:

FreeholderHaines

Subject:

NJ Marijuana Law Webinar 6/2

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The Partnership For A Drug-Free New Jersey

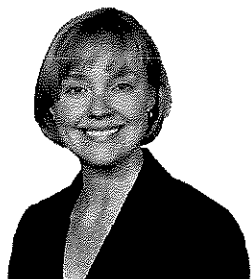
In Cooperation with the Governor's Council on Alcoholism
& Drug Abuse and the NJ Dept. of Human Services

You are invited to attend a **FREE**
WEBINAR: "NJ Marijuana Law"

Tuesday, June 2nd @ 1pm

REGISTER NOW

FEATURED SPEAKER



Nancy N. Delogu, Esq.

Shareholder, Littler, Washington, DC

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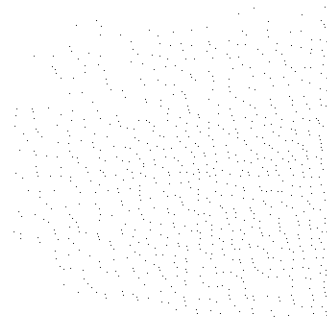
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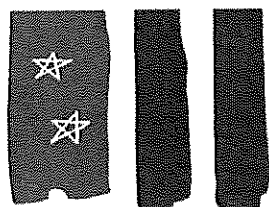
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In Cooperation with the Governor's Council on Alcoholism
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You are invited to attend a **FREE**
WEBINAR: "NJ Marijuana Law"

Tuesday, June 2nd @ 1pm

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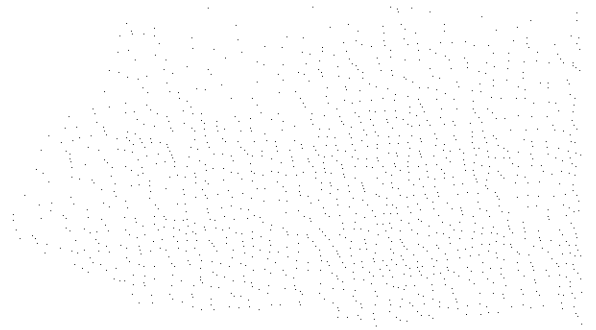
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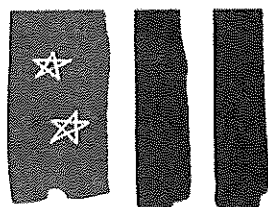
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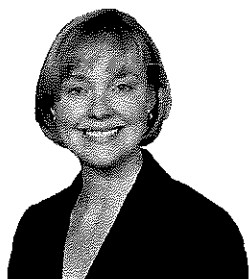
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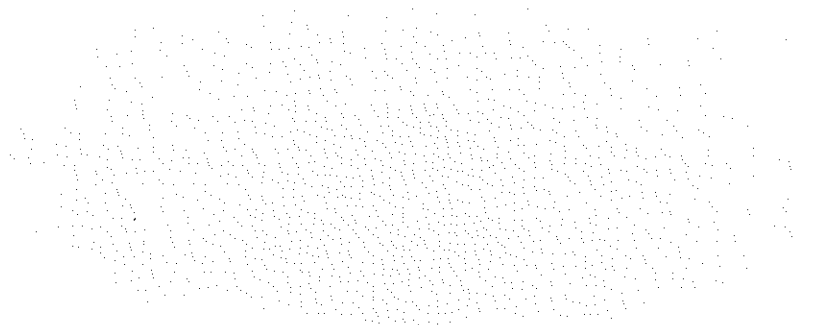
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From: Haines, Virginia
Sent time: 09/11/2020 10:28:33 AM
To: Hayes, Marie <marie.hayes@CO.CAPE-MAY.NJ.US>
Attachments: BallotQuestion Recreational Marijuana.docx.final.docx.Revised.docx

Marie,

I had previously sent you a draft resolution but wanted to forward the resolution my board will be passing on Weds. on the ballot question on recreational marijuana. It is scaled down from the original one I sent as I worked with my county counsel on this version. Have a nice weekend.

Ginny

Virginia E. Haines
OCEAN COUNTY FREEHOLDER
732-929-2004



RESOLUTION

WHEREAS, New Jersey voters, in this 2020 General Election, will be asked to approve or disapprove an amendment to the State Constitution that legalizes the recreational use of cannabis and cannabis-related products, including marijuana, for persons 21-years-of-age and older and;

WHEREAS, this constitutional amendment will not limit the amount of tetrahydrocannabinol (or THC, the chemical in cannabis that induces the "high") that can be present in these recreational cannabis products and could have 99% THC content; and

WHEREAS, it is a well-established medical fact that the habitual use of cannabis products with high THC content can have detrimental mental health effects. Young adults whose brains are still developing are susceptible to severe psychosis, such as schizophrenia; and

WHEREAS, this constitutional amendment also does not limit the types of cannabis products that can be sold and consumed; and can be sold in candy-form, such as gummies and chocolates, which are attractive to young children, and as oils used in vaping devices.

WHEREAS, THC consumed via cannabis edibles can take hours to be absorbed into the human system and provide the sought-after "high," so it is very common for these consumers to overdose on these edibles thereby inducing hallucinations, paranoia, or severe nausea and;

WHEREAS, this constitutional amendment provides municipalities that have previously banned cannabis stores can be forced to allow pot stores within their borders; and

WHEREAS, a bill to accomplish the same ends could not even gain enough support in the NJ Legislature to be voted on; and

WHEREAS, according to the NJ Legislature's non-partisan professional staff, the constitutionally-imposed tax on cannabis products will raise only \$126 million in State revenue or just 0.031% of Governor Murphy's \$40 billion-plus proposed FY'21 budget; and

WHEREAS, this paltry new revenue is not likely to cover the lost revenues from the local businesses adversely affected by legalized recreational cannabis combined with the new costs from the added regulatory bureaucracy and from the negative health consequences of legalized cannabis, costing New Jersey taxpayers money; and

WHEREAS, this meager amount of revenue cannot make up for the costly potential impact and loss of life associated with individuals operating motor vehicles under the influence of marijuana; and

WHEREAS, the preceding facts clearly demonstrate that it is utterly inappropriate and dangerous to use the Constitution of the State of New Jersey as the means to legalize the recreational use of marijuana.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Chosen Freeholders of the County of Ocean **oppose** the constitutional amendment legalizing recreational cannabis use and sales and, according, urges voters to vote "No" on the ballot question; and

BE IT FURTHER RESOLVED, that copies of this resolution be sent to the municipal governing bodies of this County, the Boards of Education responsible for educating students of the County, and local media outlets.

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Sent time:
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Ocean Partnership for Children <kolhoun@oceanpartnership.org>

06/01/2020 11:58:50 AM

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marijuana regulations

- Stay updated on the fast-paced, dynamic marijuana industry and the public sector implications surrounding it

Don't miss out. This is the last chance to register for this premier event.

The Symposium Starts Tomorrow.

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Featured Speakers



Michael B. Hancock
Mayor
CITY AND COUNTY
OF DENVER



Andrew Brisbo
*Director, Bureau of
Marijuana
Regulation*
MICHIGAN
DEPARTMENT OF
LICENSING &
REGULATORY
AFFAIRS



Molly Duplechian
*Deputy Director,
Policy and
Administration*
CITY OF DENVER



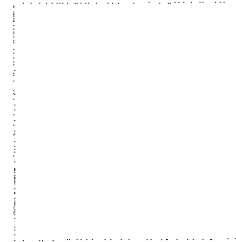
Erik Gundersen
Director
MAINE OFFICE OF
MARIJUANA POLICY



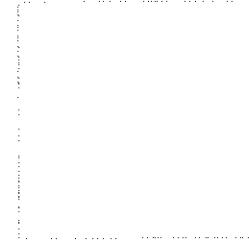
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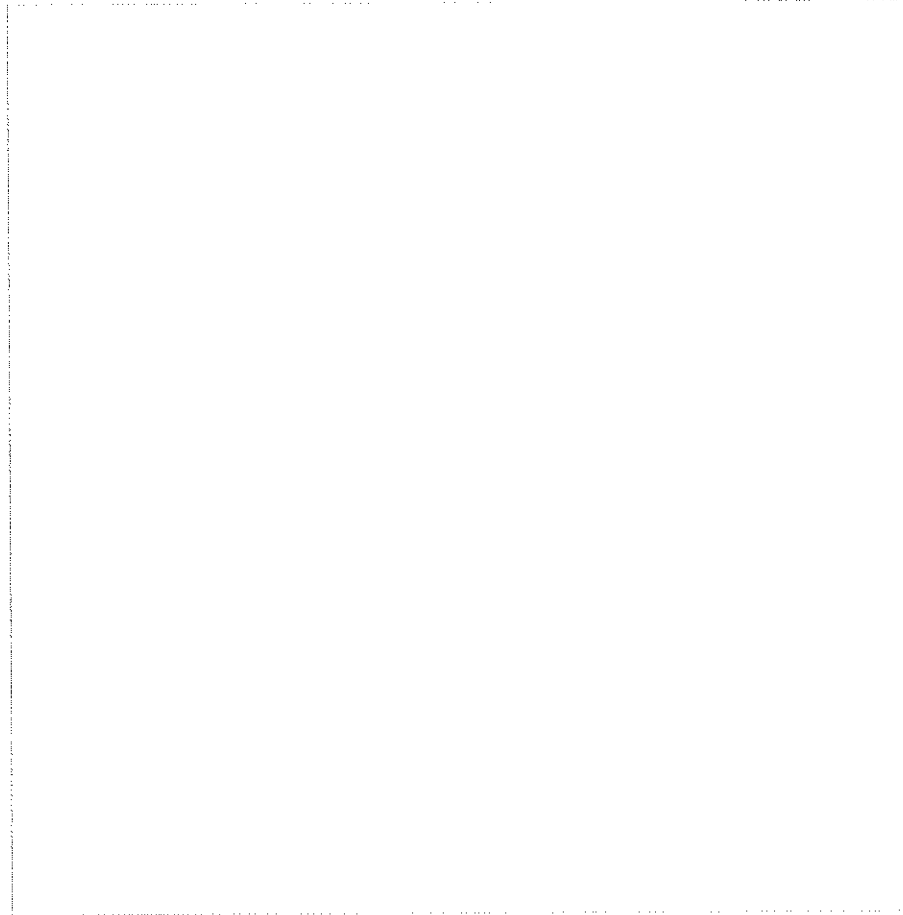


Renu Kulendran
*Executive Director,
Legalization of
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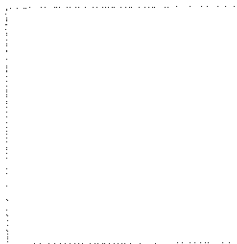
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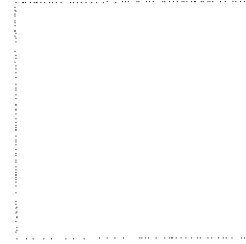
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Administration*
CITY OF DENVER



Erik Gundersen
Director
MAINE OFFICE OF
MARIJUANA POLICY



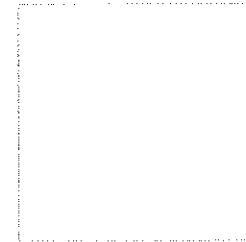
Nicole Elliott
*Senior Advisor,
Governor's Office
of Business and
Economic
Development*
STATE OF
CALIFORNIA



Ashley Kilroy
Executive Director
DENVER EXCISE &
LICENSES

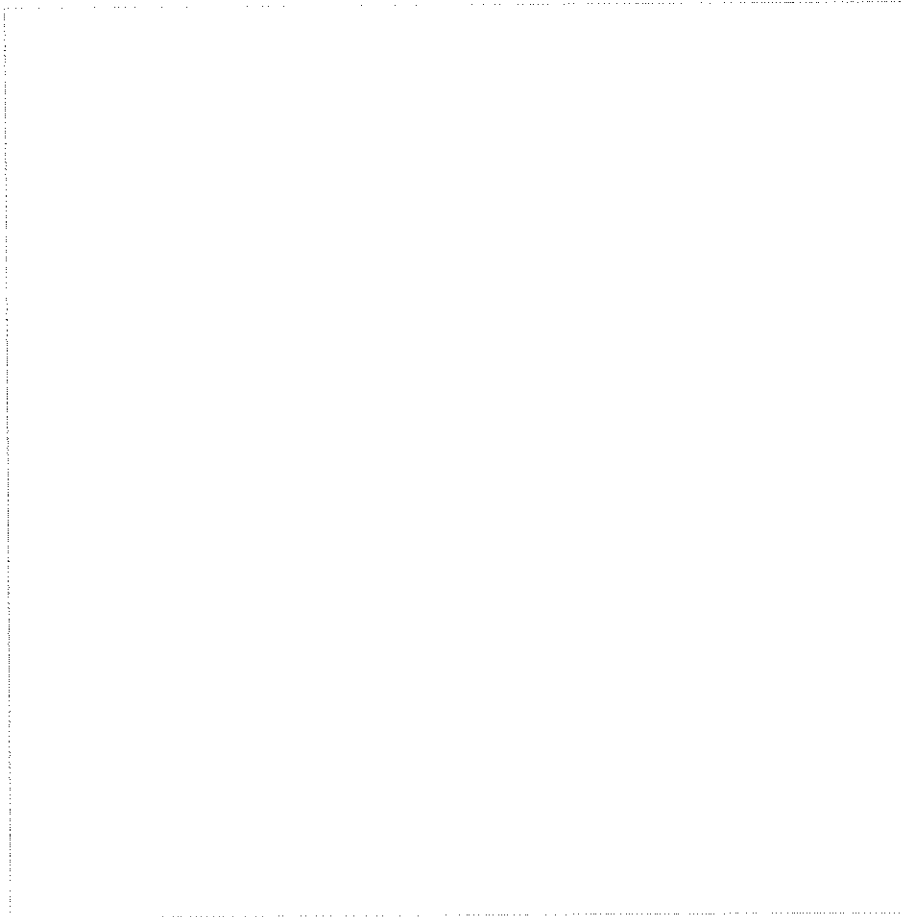


Renu Kulendran
*Executive Director,
Legalization of
Cannabis
Secretariat*
PROVINCE OF
ONTARIO MINISTRY



Cat Packer
*Executive Director,
Department of
Cannabis
Regulation*
CITY OF LOS
ANGELES

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From: Denver Marijuana Management Symposium 2019 <events@email.infocastinc.com>
Sent time: 08/09/2019 11:48:44 AM
To: freeholderkelly@co.ocean.nj.us
BCc: jkelly@co.ocean.nj.us; dconnors@co.ocean.nj.us; ocinfo@co.ocean.nj.us
Subject: Promotion Ends Today: Register for the Summit & Bring a Colleague at 50% Discount

[View in browser](#)

Denver Marijuana Management Symposium

2019 Symposium's Participating Organizations

Participating Organizations

Limited-Time Only!
Register for the Summit and
Bring a Colleague at a 50% discount *
Hurry! This promotion will expire on Friday, August 9.
To take advantage of this promotion, you must use the
"Register Now" link below.

REGISTER NOW

* Within a week of registering for the Summit you will receive a promotional code which will allow a colleague to register at a 50% discount. This promotional code will only have a one-time use and expire on September 24, 2019. The 50% off promotional code cannot be combined with any other discount.

For the fifth year in a row, the City of Denver will host the annual **Denver Marijuana Management Symposium**. Representatives of law enforcement agencies, public health officials, fire and building code enforcement, and municipal attorneys' offices from across the U.S. will gather in Denver to:

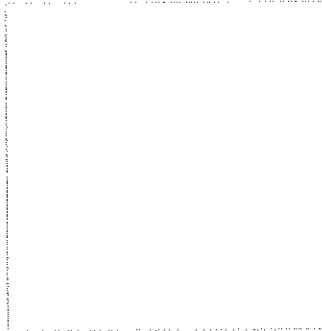
- Learn about best practices for regulation from the most experienced marijuana regulators throughout the world
- Network and build valuable relationships with 400+ public sector officials from around the U.S.

- Stay ahead of the curve on international, national, state, and municipal marijuana policies
- Attain both a high-level overview and an in-depth technical understanding of developing, implementing, and enforcing marijuana regulation
- Stay updated on the fast-paced, dynamic marijuana industry and the public sector implications surrounding it

Featured Speakers



Michael B. Hancock
Mayor
 CITY AND COUNTY OF
 DENVER



Andrew Brisbo
*Director, Bureau of
 Marijuana Regulation*
 MICHIGAN DEPARTMENT
 OF LICENSING &
 REGULATORY AFFAIRS



Sonya Harper
Representative
 ILLINOIS STATE
 LEGISLATURE



Ashley Kilroy
Executive Director
 DENVER EXCISE &
 LICENSES



Kara Lavaux
*Food Safety & Marijuana
 Supervisor*
 DENVER DEPARTMENT OF
 PUBLIC HEALTH &
 ENVIRONMENT



Cat Packer
*Executive Director,
 Department of Cannabis
 Regulation*
 CITY OF LOS ANGELES

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From: Haines, Virginia
Sent time: 09/12/2020 01:03:28 PM
To: Richard Colarusso <rtcolarusso@yahoo.com>
Subject: RE: 9/12/2020

Mr. Colarusso

Everyone is entitled to their opinion and you and I differ on this issue but name calling was not necessary.

I do thank you for emailing me with that opinion.

I pray everyday that God will help me be a better person and to always try to help others.

Regards

Freeholder Haines

Sent from my Verizon, Samsung Galaxy smartphone

----- Original message -----

From: Richard Colarusso <rtcolarusso@yahoo.com>

Date: 9/12/20 12:55 PM (GMT-05:00)

To: FreeholderHaines <FreeholderHaines@co.ocean.nj.us>

Subject: 9/12/2020

Marijuana

Virgins go suck on a tube of toothpaste. What an ignoramus. Jesus help you.

Rich Colarusso

Freehold NJ

Sent from my iPhone

From: Richard Colarusso <rtcolarusso@yahoo.com>
Sent time: 09/12/2020 01:43:11 PM
To: Haines, Virginia
Subject: Re: 9/12/2020

Lifetime Republican by the way...don't drink and have never used a hard drug in my life. Fight the alcohol industry....you folks would serve the community better in doing so.

Sent from my iPhone

On Sep 12, 2020, at 1:41 PM, Richard Colarusso <rtcolarusso@yahoo.com> wrote:

The name calling is the only appropriate thing I can say to you because your position is so unbelievably ridiculous.

Best wishes

Sent from my iPhone

On Sep 12, 2020, at 1:03 PM, Haines, Virginia <VHaines@co.ocean.nj.us> wrote:

Mr. Colarusso

Everyone is entitled to their opinion and you and I differ on this issue but name calling was not necessary.

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I pray everyday that God will help me be a better person and to always try to help others.

Regards

Freeholder Haines

Sent from my Verizon, Samsung Galaxy smartphone

----- Original message -----

From: Richard Colarusso <rtcolarusso@yahoo.com>

Date: 9/12/20 12:55 PM (GMT-05:00)

To: FreeholderHaines <FreeholderHaines@co.ocean.nj.us>

Subject: 9/12/2020

Marijuana

Virgins go suck on a tube of toothpaste. What an ignoramus. Jesus help you.

Rich Colarusso

Freehold NJ

Sent from my iPhone

From: Richard Colarusso <rtcolarusso@yahoo.com>
Sent time: 09/12/2020 01:41:16 PM
To: Haines, Virginia
Subject: Re: 9/12/2020

The name calling is the only appropriate thing I can say to you because your position is so unbelievably ridiculous.

Best wishes

Sent from my iPhone

On Sep 12, 2020, at 1:03 PM, Haines, Virginia <VHaines@co.ocean.nj.us> wrote:

Mr. Colarusso

Everyone is entitled to their opinion and you and I differ on this issue but name calling was not necessary.

I do thank you for emailing me with that opinion.

I pray everyday that God will help me be a better person and to always try to help others.

Regards

Freeholder Haines

Sent from my Verizon, Samsung Galaxy smartphone

----- Original message -----

From: Richard Colarusso <rtcolarusso@yahoo.com>

Date: 9/12/20 12:55 PM (GMT-05:00)

To: FreeholderHaines <FreeholderHaines@co.ocean.nj.us>

Subject: 9/12/2020

Marijuana

Virgins go suck on a tube of toothpaste. What an ignoramus. Jesus help you.

Rich Colarusso

Freehold NJ

Sent from my iPhone

From: Paul Sniffen <paulsniffen@yahoo.com>

Sent time: 03/17/2019 06:46:35 AM

To: sencardinale@njleg.org; sensinger@njleg.org; sensweeney@njleg.org; senscutari@njleg.org; senweinstein@njleg.org; sencodey@njleg.org; freeholderlittle@co.ocean.nj.us; editor@wsj.com; editor@starledger.com; editor@trentontimes.com; editor@nynews.com; editor@newyorkpost.com; editor@nydailynews.com; editor@trt.com; editors@app.com; editor@gannettnews.com; editor@observer.com; editor@hub.com; editor@thecoaster.net; editor@tworivertimes.com; editor@gannettmedia.com; aswdimaso@njleg.org; editor@ahj.com; editor@thelinknews.com; TAPinto Piscataway <ksimmons@tapinto.net>; Njgop Info <info@njgop.org>; RNC State Director Ron Filan <intern-1@njgop.org>; Travis Clark <travis@njgop.org>; New Jersey Senate Republicans <njsenreps2@njleg.org>; SenateNJ.com <njsenreps@njleg.org>; Paul Sniffen <paulsniffen@yahoo.com>; Sen. D.O. Rice <senrice@njleg.org>; Sen. D.O. Sarlo <sensarlo@njleg.org>; Sen. D.O. Pennacchio <senpennacchio@njleg.org>; Asm. D.O. Auth <asmauth@njleg.org>; Asm. D.O. Coughlin <asmcoughlin@njleg.org>; Monmouth County Sheriff's Office <sheriffgolden@mcsonj.org>; The New York Times <editor@nytimes.com>; Atlantic Highlands Herald <editor@ahherald.com>; Kelly <editor@greatamericandaily.net>

BCc: cjinotti@co.ocean.nj.us; ocinfo@co.ocean.nj.us

Subject: Re: NJ Governor, Legislature, Announce Legal Marijuana Agreement

Ken, it is not possible to legally possess pot anywhere in the state.....any possession within 1000 feet of a park, playground, school is a felony.....8 million people in 7000 square miles, forget it...

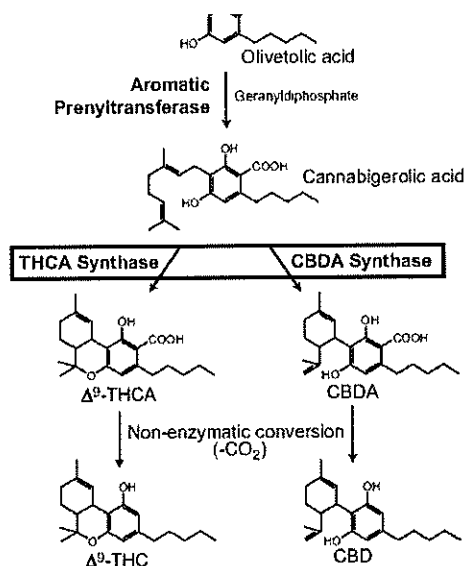
AG Grewal and Supt Callahan should know this.....you cannot possess pot in Hoboken or the pine barrens in NJ, period.....state, county, federal rangers and wardens will arrest anyone with alcohol or drugs....

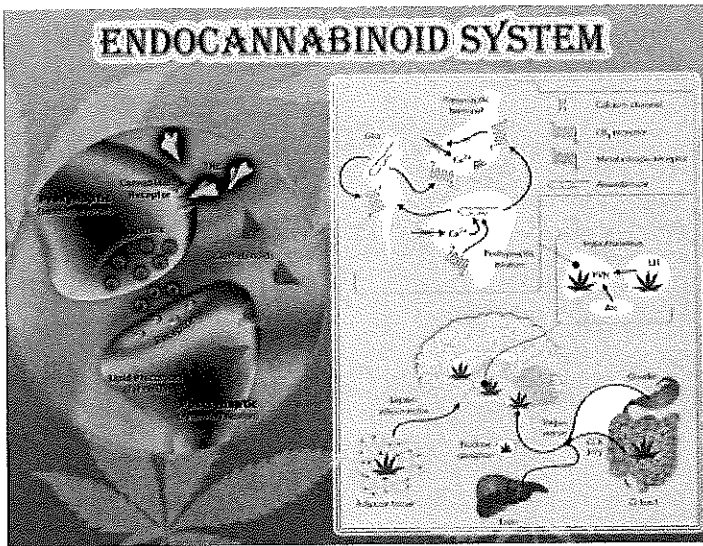
kids who smoke pot are more likely to try other drugs, sell, drugs, dui, dwi, drop out, have low IQ and SAT, STDs, commit crimes.....2000 teens in NJ are in rehab every day.....55 teens from NJ were arrested having a beer and pot party....

10 other states have an increase in auto accidents and insurance rates.....NJ will be the first state to defeat pot

smoke from pot contains ammonia, arsenic, cyanide, benzene, formaldehyde, all carcinogens...

pot is a toxic plant that evolved to keep animals from eating it, stupid people eat and smoke it

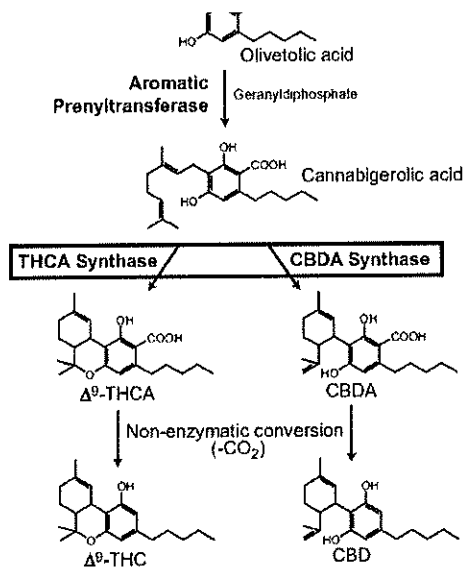


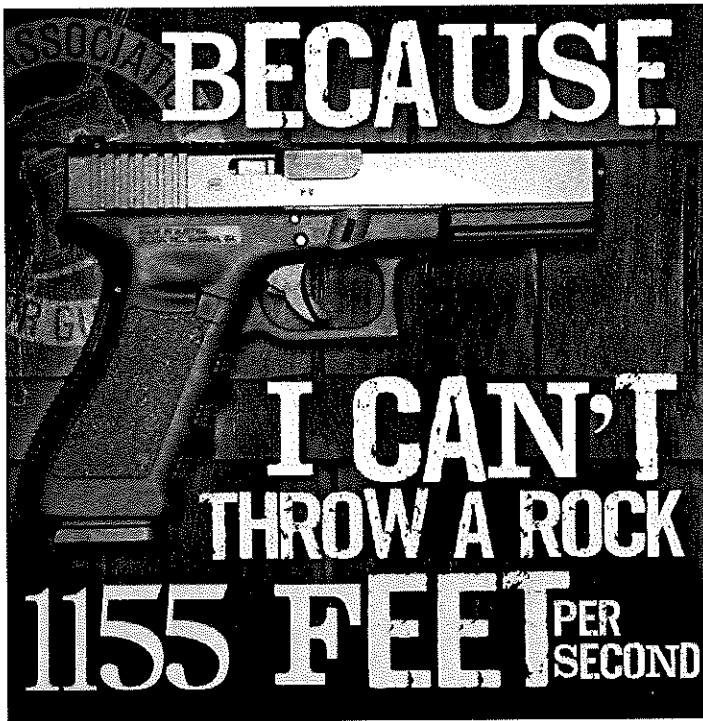


GET YOUR CANNABIS CARD

GET ONE NOW

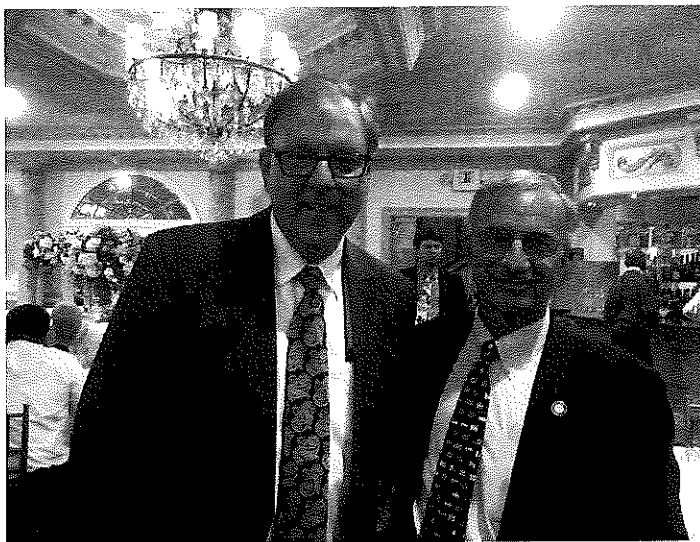
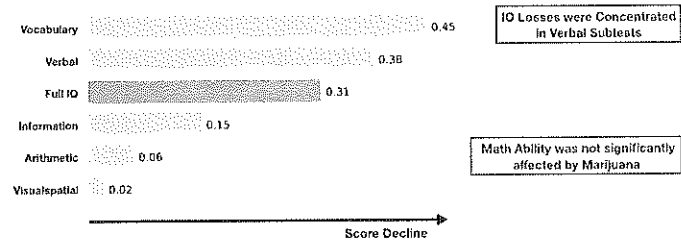
It's FREE to apply.
100% Online.

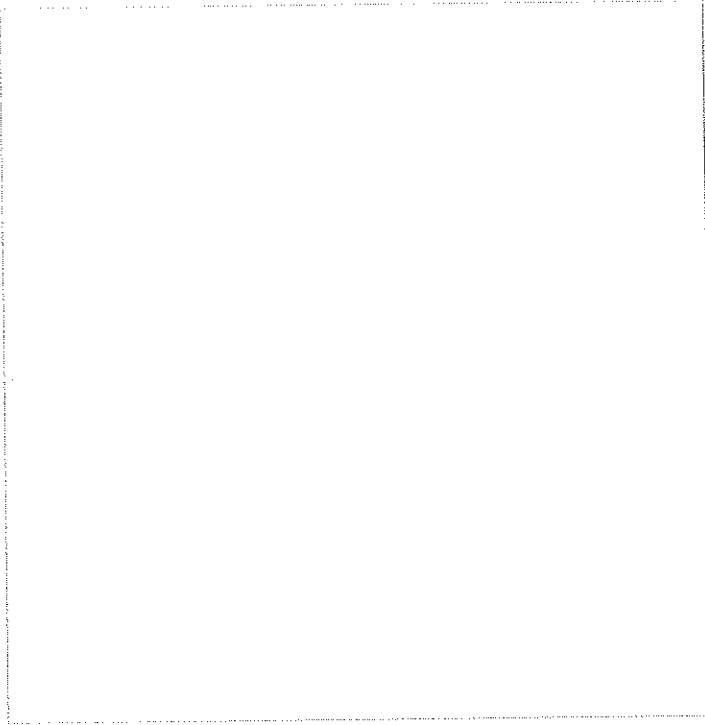




IQ Decline: Subtype Tests

The IQ Decline in heavy Marijuana users was driven by very low performance in verbal subtests.



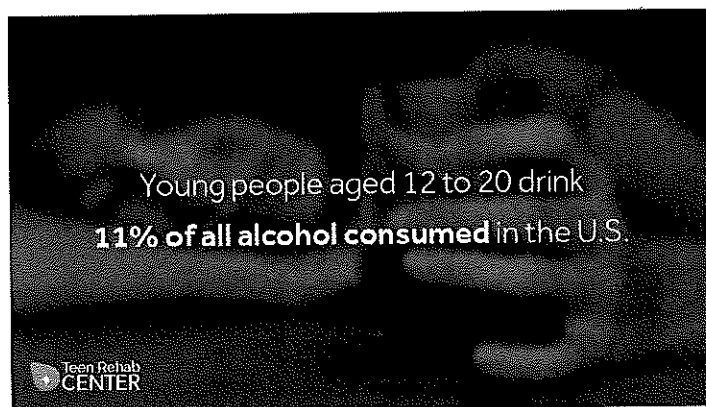
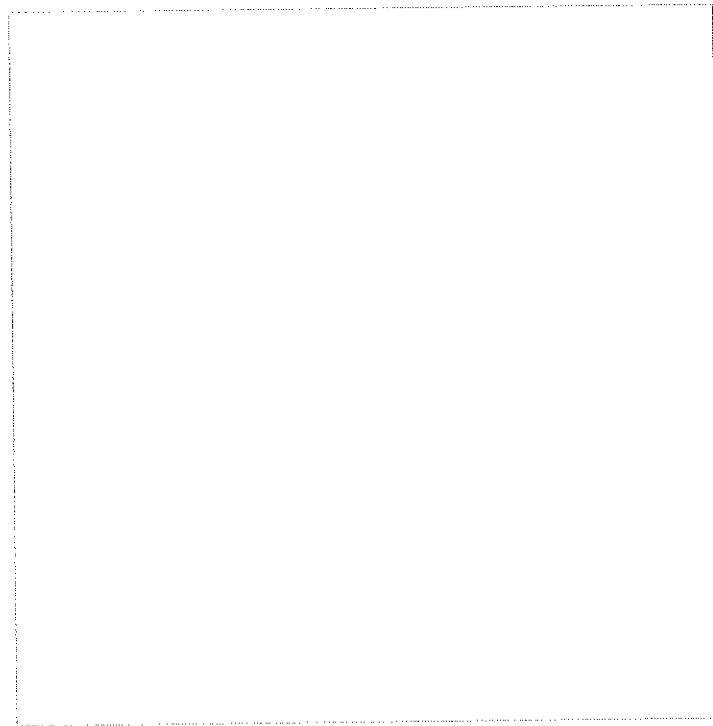


Give a man a fish and he
will eat for a day. Teach
a man to fish and he will
eat for a lifetime.

2013 Version:

Give a man a welfare
check, a free cell phone,
free Internet, cash for
his clunker, food
stamps, section 8
housing, free
contraceptives,
Medicaid, ninety-nine
weeks of unemployment,
free medicine, and he
will vote Democrat the
rest of his life even after
he's dead.

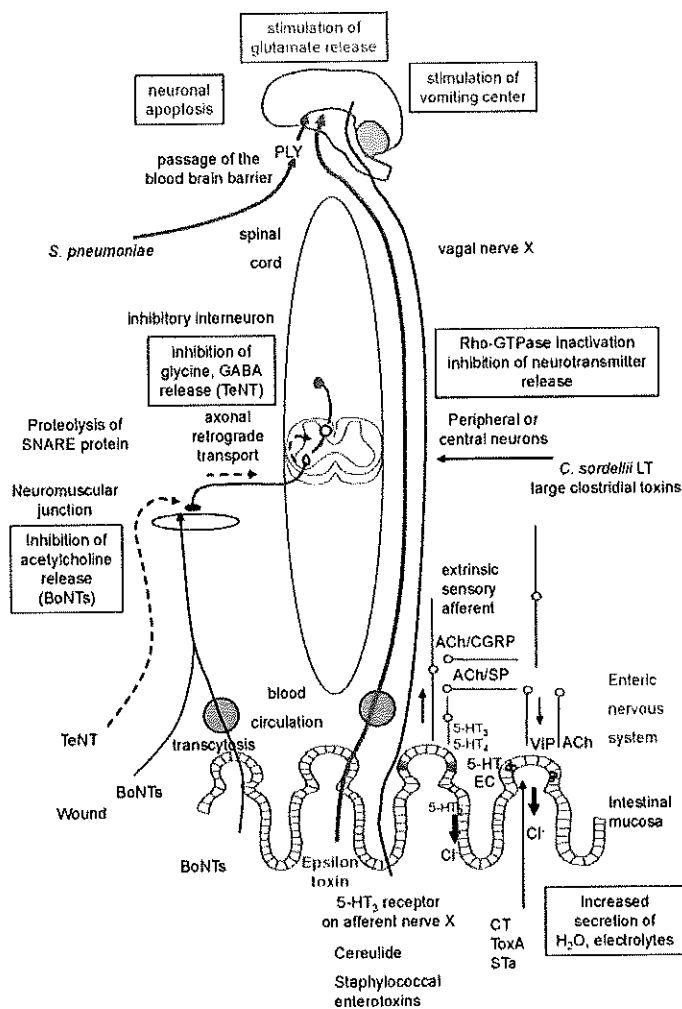




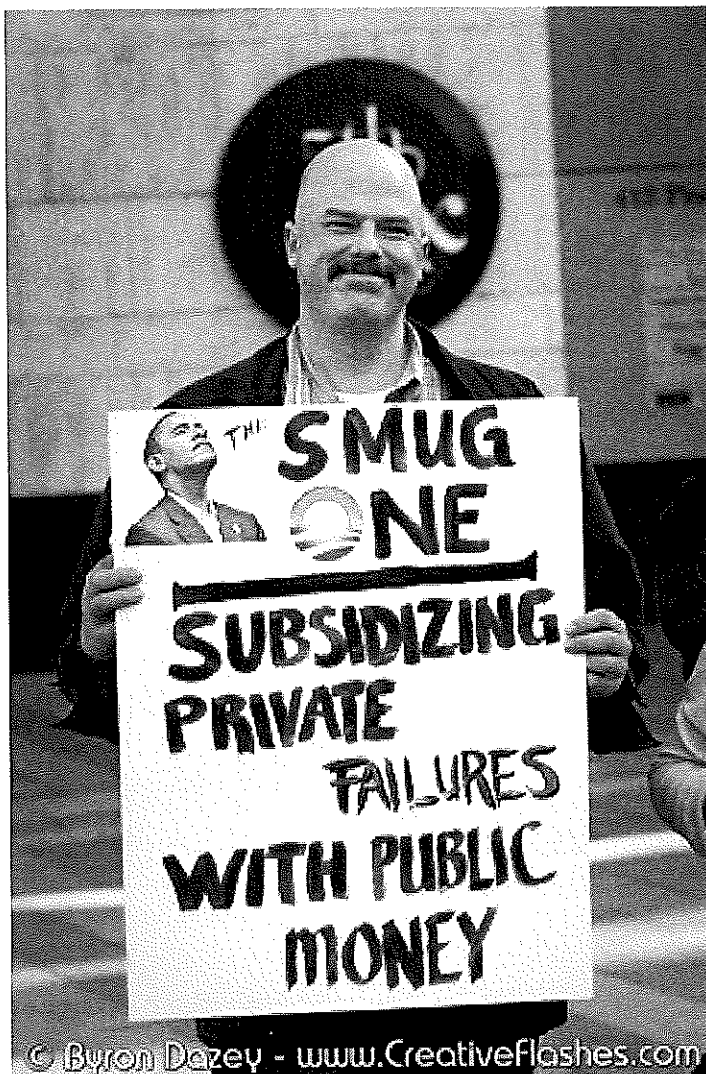
Young people aged 12 to 20 drink
11% of all alcohol consumed in the U.S.



Only 1% of parents believe their teen binge drinks.
1 in 6 teens engages in binge drinking.







pot smoke contains arsenic, cyanide, formaldehyde, benzene, all cause heart, lung, brain damage.....



TAP into Piscataway

Your Neighborhood News Online

Editor



Ken Simmons

[f](#) [t](#) [r](#)

[View as webpage](#)

732-844-9701

In This Issue:

NEWS

UPCOMING EVENTS

FEATURED BUSINESS

Your PISCATAWAY Daily Newsletter

OTHER NJ NEWS

NJ Governor, Legislature, Announce Legal Marijuana Agreement



By TAPINTO STAFF

March 16, 2019

TRENTON, NJ – Gov. Phil Murphy, Senate President Steve Sweeney, Assembly Speaker Craig Coughlin, Sen. Nicholas Scutari ...



Read the Full Article »

OTHER NJ NEWS

Emergency Services Personnel to Swarm Somerville Hospital March 20



By TAP INTO SOMERVILLE STAFF

March 16, 2019

SOMERVILLE, NJ – Don't be alarmed. This is only a drill. Armed with assault rifles and other weapons, dozens of ...



Read the Full Article »

Events Near You



Sun, March 17, 10:00 AM

Congregation Kneseth Israel, Bound Brook

Purim Carnival

Arts & Entertainment, Religions And Spirituality



Sun, March 17, 12:00 PM

The Cornelius Low House Museum, Piscataway

Midcentury New Jersey: The Garden State in the

Arts & Entertainment, Education



PISCATAWAY
public library



Tue, March 19, 7:00 PM

Kennedy Branch, Piscataway

Free English Classes

Education

Wed, March 20, 10:00 AM

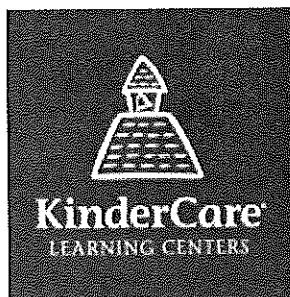
Westergard Library - Teen Room,
Piscataway

Book Discussion

Arts & Entertainment, Education

Featured Local Business

KinderCare Learning Center



732-699-1017 | 659 Hoes Lane West | Piscataway, NJ
08854

<http://www.kindercare.com> | Piscataway@kindercare.com

KinderCare is proud to offer one of the best early educational programs in the country — from infant to kindergarten and beyond. Children need a safe, secure “home away from ...

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TAP Into LLC
PO Box 794 New Providence, NJ 07974

On Sunday, March 17, 2019 6:03 AM, TAPinto Piscataway <ksimmons@tapinto.net> wrote:

From: Paul Sniffen <paulsniffen@yahoo.com>
Sent time: 01/30/2019 10:51:31 AM
To: enews@e.madd.org
bucpride@rbrhs.org; jalvaro@rbrhs.org; skeller@rbrhs.org; a.fitzgerld@rumsonfairhaven.org; jcaruso@rumsonfairhaven.org;
kwise@rumsonfairhaven.org; cvolker@rumsonfairhaven.org; lwaters@rumsonfairhaven.org; lwater@rumsonfairhave.org;
smaris@rumsonfairhaven.org; ddaubert@frhsd.com; dpeterson@frhsd.com; npagan@frhsd.com; jrobinson@frhsd.com;
mayor@oceanportboro.com; mayor@tintonfalls.com; mayor@twp.brick; mayor@sayreville.com; mayor@townofmorristown.org;
mayor@ahnj.com; mayor@ocnj.us; mayor@belmar.com; mayor@seagirtboro.com; mayorhuttle@cityofenglewood.org; mayors.office@baynj.org;
council@piscatawaynj.org; clerk@shrewsburyboro.com; clerks@uniontownship.com; mayor@cityofbrdgeton.com; mayor@cityofbridgeton.com;
freeholderlittle@co.ocean.nj.us; sensinger@njleg.org; sencardinale@njleg.org; mayoraumack@keyport.online.com;
Cc: mayoraumack@keyportonline.com; editor@wsj.com; editor@starledger.com; editor@gannettnews.com; editor@trentontimes.com;
editor@nynews.com; editor@gannettmedia.com; editor@newyorkpost.com; editors@app.com; editor@trt.com; editor@nydailynews.com;
editor@observer.com; editor@hub.com; editor@thecoaster.net; editor@tworivertimes.com; editor@ahj.com; editor@thelinknews.com; Christina
Galvao <cgalvao@rbrhs.org>; Stacy Liss <sliss@rbrhs.org>; Cassandra Dorn <cdorn@rbrhs.org>; Ann Murdock
<amurdock@rumsonschool.org>; Mike Messinger <mmessinger@frhsd.com>; Gina Franco <gfranco@frhsd.com>; Michael Petkov
<mpetkov@frhsd.com>; MayorsOffice <mayorsoffice@middletownnj.org>; Mayor <mayor@twp.brick.nj.us>; Monmouth County Sheriff's
Office <sheriffgolden@mcsonj.org>; Sen. D.O. Rice <senrice@njleg.org>; madd <policy@madd.org>; Frhsd Postmaster
<postmaster@frhsd.com>; The New York Times <editor@nytimes.com>; Atlantic Highlands Herald <editor@ahherald.com>
BCc: cjinotti@co.ocean.nj.us; ocinfo@co.ocean.nj.us
Subject: Re: One Fateful Night
nj55109137521_f52a48_o.jpg nj636525183243832143-weed012518e.jpg nj636622475913771399-HGB041218a.jpg
Attachments: nj636622482422946703-mog041118ap.jpg nj636622482441580584-mog041118f.jpg nj636622482442048581-mog041118h.jpg file2.dat
file3.dat file4.dat file5.dat file6.dat file7.dat file8.dat file9.dat file10.dat file11.dat file12.dat file13.dat file14.dat
file15.dat file16.dat

Editors , Educators, and Mayors,

millions of deer run into cars every year in the USA, 30,000 just in NJ, ,, massive auto and human damage, also massive crop damage.....

that is right ,the deer run into cars, not cars into deer, deer eat all kinds of toxic plants, toxins that affect the brain and motor skills.....

when people eat or smoke cannabis the same effect on motor skills and memory, they drive cars into people, trees, other cars.....

if they use cannabis every day they are more likely to have accidents, commit crimes, sell drugs, miss work and school. lower IQ and SAT, have low birth weight babies, learning disabled babies., have heart attacks and strokes.....cannabis not medicine, it is a toxin.....a neurotoxin.....

thanks to you legal pot will never pass both the Assembly and Senate.....

On Tuesday, January 29, 2019 11:07 AM, Mothers Against Drunk Driving <enews@e.madd.org> wrote:

This message contains graphics. If you do not see the graphics, [click here to view](#).

Sorry,
The image cannot be displayed.
Your computer may not have enough memory to open the image, or the image may have been corrupted. Restart your computer, and then open the file again. If the red x still appears, you may have to delete the image and then insert it again.



Sorry :(

The page you are looking for might have been removed or is temporarily unavailable.

Hi paul. My name is Melissa Granberry. I am a victim advocate. But I am also a victim.

I've always had a heart for helping people. I worked for years in the mental health industry until my organization lost funding, causing me to seek a new job.

Then, because of membership gifts from people like you, I was able to work for MADD, helping victims every day.

The local MADD office in east Texas was in need of a victim advocate and it seemed like the perfect opportunity. Although I had never been in a drunk driving crash and had never even known anyone harmed by a drunk driver, I wasn't going to let this stop me from giving my all to victims of drunk driving.

But on one fateful night in 2010, as my daughter and I drove home from a concert, I learned what it means to be a drunk driving victim. We experienced the trauma that I'd helped many others endure as the result of an impaired driver.

As a 19-year-old repeat underage offender careened down a quiet road under the influence of alcohol, my daughter and I sat at a four-way stop. This young drunk driver crashed into the back of our vehicle, sending us reeling. Then he selfishly sped off down the road without a second thought.

In that split second, my daughter and I became drunk driving victims. My

coworker, one of the other victim advocates in our office, became my victim advocate.

Because of members like you, she was able to be there for me during this time.

I want to help victims too!

It was during this season that I saw the need for victim advocates from a victim perspective. My family and I were recipients of MADD's free victim services which are provided by trained victim advocates. I wasn't injured. My daughter wasn't killed. But this trauma was real. I needed someone to go to court with me, to walk me through the fear of getting on the road, and to even walk me through coping day to day. **I want everyone to have an advocate to support them like I did.**

My friend and coworker was there for me during this trying time. But so many drunk driving victims never get the help they need. I will never – can never – forget that crash. It is my biggest motivator to fight for victims' rights and to walk victims through the aftermath of a crash.

Sometimes all we can offer is a hand to hold in times like this. Your membership gift can help me be that person to talk to, that shoulder to lean on, that support during days like this for victims just like me.

Adopt an advocate today

Let's achieve more together,

Sorry,
Page is not valid. Please check the URL.

Melissa Granberry
Victim Advocate
MADD East Texas

Mothers Against Drunk Driving
511 E. John Carpenter Frwy.
Suite 700
Irving, TX 75062
madd.org | 877.ASK.MADD

24-Hour Victim Help Line
877.MADD.HELP
© 2018 Mothers Against Drunk Driving

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2025 RELEASE UNDER E.O. 14176





From: Randi McDonnell <randi@snjdc.org>
Sent time: 03/01/2019 02:51:11 PM
To: Haines, Virginia <VHaines@co.ocean.nj.us>
Subject: RE: Special Invitation to Sound Off Policy Conference

Good afternoon Freeholder Haines,

Marlene is out of the office but I wanted to respond to you.

Thank you for getting back to us regarding Sound Off. We did also invite Freeholder Quinn to attend.

Have a great weekend!
Randi

From: Haines, Virginia <VHaines@co.ocean.nj.us>
Sent: Friday, March 01, 2019 2:14 PM
To: Marlene Asselta <marlene@snjdc.org>
Subject: RE: Special Invitation to Sound Off Policy Conference

Marlene,
Unfortunately I will be out of state at that time, would you like to have our newest Freeholder attend, Freeholder Gary Quinn?
Let me know and I will forward him the info.
Sorry I am missing this event but please keep me posted on all your events.
Ginny

From: Marlene Asselta [mailto:marlene@snjdc.org]
Sent: Tuesday, February 26, 2019 2:06 PM
To: FreeholderHaines <FreeholderHaines@co.ocean.nj.us>
Subject: Special Invitation to Sound Off Policy Conference

Good afternoon Freeholder Director,

The Southern NJ Development Council is hosting *Sound Off for South Jersey*, the largest policy conference in our region on March 21st and 22nd at Resorts Casino Hotel in Atlantic City. We are planning another informative event with the following program:

Cannabusiness in South Jersey: Economic Implications & Considerations – With New Jersey's expansion of medical cannabis and adult-use legalization pending, this high-level discussion will focus on the emerging topics impacting the business community including workplace implications, workforce development and state economics & regulations.

The Future of New Jersey's Tax Incentives – As New Jersey's two business incentive programs sunset July 1, attention turns to legislature to craft replacements programs. This panel is an exchange of ideas of smart economic planning policy designs for tax incentive programs that will be successful at directing investment and job creation.

Remarks from Commissioner Robert Asaro-Angelo, NJ Department of Labor & Workforce Development

As a South Jersey Freeholder, an invitation is being extended to you to be our guest for the Welcome Reception the evening of Thursday, March 21st from 6:00 to 7:30 p.m. at Margaritaville in Resorts.

The conference on Friday, March 22nd runs from 8:00 a.m. to 11:30 a.m. and a discounted reservation is being offered to you at \$50.

To register, please call us at 856-228-7500.

Marlene Z Asselta, President
Southern New Jersey Development Council
900 Rt. 168 Suite D-4
Turnersville, NJ 08012
www.snjdc.org
856-228-7500

From: Marlene Asselta <marlene@snjdc.org>
Sent time: 04/17/2019 02:25:56 PM
To: VHaines@co.ocean.nj.us
Subject: RE: Special Invitation to Sound Off Policy Conference
Attachments: Ocean County Freeholder Director Haines Speaker Request.pdf

Hi Ginny,

Sorry we missed you at our Sound Off Conference – we were really pleased with its content discussions and turnout.

I wanted to let you know our next event is Monday, April 29th at 8:30 in Mt. Laurel. Our guest speaker is Congressman Andy Kim. Given he represents much of Ocean County, I wanted to see if you were available to attend. We're putting the program together now, so if you can join us, we'd like for you to give a few minutes of welcome remarks from Ocean County.

The attached has all of the details.

Hope you can join us,

Marlene

From: Haines, Virginia <VHaines@co.ocean.nj.us>
Sent: Friday, March 01, 2019 2:14 PM
To: Marlene Asselta <marlene@snjdc.org>
Subject: RE: Special Invitation to Sound Off Policy Conference

Marlene,
Unfortunately I will be out of state at that time, would you like to have our newest Freeholder attend, Freeholder Gary Quinn?
Let me know and I will forward him the info.
Sorry I am missing this event but please keep me posted on all your events.
Ginny

From: Marlene Asselta [mailto:marlene@snjdc.org]
Sent: Tuesday, February 26, 2019 2:06 PM
To: FreeholderHaines <FreeholderHaines@co.ocean.nj.us>
Subject: Special Invitation to Sound Off Policy Conference

Good afternoon Freeholder Director,

The Southern NJ Development Council is hosting *Sound Off for South Jersey*, the largest policy conference in our region on March 21st and 22nd at Resorts Casino Hotel in Atlantic City. We are planning another informative event with the following program:

Cannabusiness in South Jersey: Economic Implications & Considerations – With New Jersey's expansion of medical cannabis and adult-use legalization pending, this high-level discussion will focus on the emerging topics impacting the business community including workplace implications, workforce development and state economics & regulations.

The Future of New Jersey's Tax Incentives – As New Jersey's two business incentive programs sunset July 1, attention turns to legislature to craft replacements programs. This panel is an exchange of ideas of smart economic planning policy designs for tax incentive programs that will be successful at directing investment and job creation.

Remarks from Commissioner Robert Asaro-Angelo, NJ Department of Labor & Workforce Development

As a South Jersey Freeholder, an invitation is being extended to you to be our guest for the Welcome Reception the evening of Thursday, March 21st from 6:00 to 7:30 p.m. at Margaritaville in Resorts.

The conference on Friday, March 22nd runs from 8:00 a.m. to 11:30 a.m. and a discounted reservation is being offered to you at \$50.

To register, please call us at 856-228-7500.

Marlene Z Asselta, President
Southern New Jersey Development Council
900 Rt. 168 Suite D-4
Turnersville, NJ 08012
www.snjdc.org

856-228-7500

 Please consider the environment before printing this email



April 17, 2019

Freeholder Director Virginia Haines
Board of Chosen Freeholders
P.O. Box 2191
Toms River, NJ 08754-2191

Via Email: VHaines@co.ocean.nj.us

Dear Freeholder Director Haines:

The Southern NJ Development Council would like to extend an invitation for you to be our guest and give "Greetings from Ocean County" remarks at our upcoming Public Policy Breakfast for U.S. Congressman Andy Kim. Given that Congressman Kim represents Ocean County, we thought you would appreciate the opportunity to see and hear from him as well as address the gathering.

Our event will take place at Hotel ML in Mount Laurel, NJ on Monday, April 29th. Doors will open at 8:30 a.m. for registration and networking, followed by breakfast and the program beginning at 9:15 a.m. Should you be able to join us, we would invite you to the podium to give 4-5 minutes of "Greetings from Ocean County" remarks. Our guest speaker U.S. Congressman Andy Kim is addressing the gathering at 10:00 a.m. The program will conclude at 10:30 a.m.

I would be most pleased if you were able to accept this invitation and will follow-up with your staff about your availability.

As you know, the SNJDC is a non-profit member-based organization established in 1951 that promotes responsible economic development in Southern New Jersey. Our membership consists of key leaders and decision makers from the public and private sector who care about the issues concerning the current and future development of South Jersey. Many thanks for your consideration of this request and we hope you are able to join us.

Very truly yours,

A handwritten signature in cursive script that reads "Marlene Z. Asselta".

Marlene Z. Asselta
President, SNJDC

From: John Donnadio <jdonnadio@njac.org>
Sent time: 05/29/2020 04:11:58 PM
Subject: RE: State Borrowing Proposal
Attachments: General Obligation Bonds Example.pdf State Bonding Bill.pdf

Hello again. In reviewing the State's borrowing proposal, we have learned that the language contained in sections 23 and 24 of the bill as noted below is standard language the State uses when issuing general obligation bonds and have attached a recent example contained on page 6. The main difference between the two proposals is that the example is from a bond issued pursuant to an approved ballot question and the proposed legislation is in response to the COVID-19 public health emergency. Additionally, the proposed legislation does not appear to place a limit on the amount the State may borrow from the federal government separate from the \$5.0 billion limitation it may issue in bonds. Is it 5:00 yet? I hope you find this information helpful as you review the matter, and we'll make sure to provide you with a more comprehensive analysis next week.

John G. Donnadio, Esq.
Executive Director
New Jersey Association of Counties
Government Finance Officers Association of New Jersey
150 West State Street
Trenton, New Jersey 08608
Telephone (609) 394-3467
www.njac.org

From: John Donnadio
Sent: Friday, May 29, 2020 11:52 AM
Subject: FW: State Borrowing Proposal

Sorry about that – the bill number is A-4175.

John G. Donnadio, Esq.
Executive Director
New Jersey Association of Counties
Government Finance Officers Association of New Jersey
150 West State Street
Trenton, New Jersey 08608
Telephone (609) 394-3467
www.njac.org

From: John Donnadio
Sent: Friday, May 29, 2020 11:49 AM
Subject: State Borrowing Proposal

Good morning. I hope all is well. Please find attached for your review, draft legislation that the General Assembly will consider next week concerning the "New Jersey COVID-19 Emergency Bond Act," which would authorize the State to issue \$5.0 billion in general obligation bonds and borrow from the federal government. We're still in the process of evaluating the measure but please take a moment to review sections 4, 23, and 24. In general, section 4 would authorize the State to issue of bonds, borrow from the federal government, and provide loans to local governing bodies. Section 23 would guarantee any borrowing by the State with monies collected from the sales and use tax, and through the collection of a municipal property tax assessment and levy if revenues collected under the sales and use tax are insufficient to meet principal and interest obligations. Section 24 would apply if revenues collected under the sales and use tax are insufficient as previously noted and would outline the steps each county board of taxation must take accordingly. On Thursday, the General Assembly plans to vote on the measure, which has not been assigned a bill number as of this writing. Thank you as always for your time and consideration, and I look forward to hearing back from you.

John G. Donnadio, Esq.
Executive Director
New Jersey Association of Counties
Government Finance Officers Association of New Jersey
150 West State Street
Trenton, New Jersey 08608
Telephone (609) 394-3467
www.njac.org

STATE OF NEW JERSEY
\$150,000,000
GENERAL OBLIGATION BONDS
(TAX-EXEMPT) (VARIOUS PURPOSES)

and

\$175,000,000
GENERAL OBLIGATION BONDS
Securing Our Children's Future Bonds (2018) (Series A)
(FEDERALLY TAXABLE)

Dated: Date of Delivery**Maturity Dates: June 1, as set forth on
the inside front cover**

This Official Statement has been prepared by the State of New Jersey (the "State") to provide information on its \$150,000,000, aggregate principal amount, General Obligation Bonds (Tax-Exempt) (Various Purposes) (the "Tax-Exempt Bonds") and \$175,000,000, aggregate principal amount, General Obligation Bonds, Securing Our Children's Future Bonds (2018) (Series A) (Federally Taxable) (the "Taxable Bonds" and, together with the Tax-Exempt Bonds, the "Bonds").

This cover page contains certain information for quick reference only. Investors should read this entire Official Statement, including all Appendices attached hereto, to obtain information essential to the making of an informed investment decision.

Bid Date: January 7, 2020

Tax Exemption: In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Tax-Exempt Bonds, including interest in the form of original issue discount, will not be includible in gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the State with the requirements of the Internal Revenue Code of 1986, as amended. Under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Bonds and any gain from the sale thereof are not includible in gross income of the holders thereof. See "TAX MATTERS" herein.

Security: Direct and general obligations of the State, the payment of which is secured by a pledge of the faith and credit of the State.

Purpose: To fund various capital programs of the State.

Interest Payment

Dates: Interest on the Bonds is payable on June 1 and December 1, commencing June 1, 2020.

Optional Redemption: The Tax-Exempt Bonds are redeemable at the option of the State, in whole or in part, at par, on any date on or after December 1, 2027. The Taxable Bonds will be subject to redemption prior to their stated maturity dates at the Make-Whole Redemption Price as described herein. See "DESCRIPTION OF THE BONDS - Redemption" herein.

Denominations: \$5,000 or any integral multiple thereof.

Issuer Contact: New Jersey Office of Public Finance (609) 984-4888.

The Bonds are offered when, as and if issued by the State, subject to the receipt of approving opinions of the Attorney General of the State and of Eckert Seamans Cherin & Mellott, LLC, Princeton, New Jersey and Philadelphia, Pennsylvania, Bond Counsel to the State. It is expected that the Bonds will be available for delivery through the facilities of The Depository Trust Company ("DTC") on or about January 23, 2020.

Official Statement Dated: January 7, 2020

STATE OF NEW JERSEY

\$150,000,000

GENERAL OBLIGATION BONDS (TAX-EXEMPT) (VARIOUS PURPOSES)

Maturity Date (June 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP**
2034	\$14,070,000	2.250%	98.500%	2.374%	646039 XH5
2035	14,635,000	2.250%	97.201%	2.470%	646039 XJ1
2036	15,220,000	2.375%	98.328%	2.500%	646039 XK8
2037	15,830,000	2.500%	100.000%	2.500%	646039 XL6
2038	16,460,000	2.500%	99.000%	2.569%	646039 XM4
2039	17,120,000	5.000%	121.381%*	2.040%	646039 XN2
2040	17,975,000	5.000%	121.139%*	2.070%	646039 XP7
2041	18,875,000	5.000%	120.897%*	2.100%	646039 XQ5
2042	19,815,000	5.000%	120.656%*	2.130%	646039 XR3

\$175,000,000

GENERAL OBLIGATION BONDS Securing Our Children's Future Bonds (2018) (Series A) (FEDERALLY TAXABLE)

Maturity Date (June 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP**
2023	\$13,870,000	3.500%	105.009%	1.950%	646039 XS1
2024	14,205,000	3.500%	106.010%	2.050%	646039 XT9
2025	14,560,000	2.150%	100.250%	2.100%	646039 XU6
2026	14,945,000	2.250%	100.175%	2.220%	646039 XV4
2027	15,350,000	2.300%	100.000%	2.300%	646039 XW2
2028	15,780,000	2.400%	100.000%	2.400%	646039 XX0
2029	16,235,000	2.550%	100.000%	2.550%	646039 XY8
2030	16,725,000	2.640%	100.000%	2.640%	646039 XZ5
2031	17,230,000	2.750%	100.000%	2.750%	646039 YA9
2032	17,765,000	2.850%	100.725%	2.780%	646039 YB7
2033	18,335,000	2.900%	100.994%	2.810%	646039 YC5

* Priced to the first optional redemption date of December 1, 2027.

** Registered Trademark of American Bankers Association. CUSIP numbers are provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by Standard & Poor's Capital IQ. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the State does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

The following Official Statement contains a general description of the Bonds (as defined herein) and the State of New Jersey (the "State"), and sets forth provisions of the Acts (as defined herein). The descriptions and summaries herein do not purport to be complete and are not construed to be representations of the State. Persons interested in purchasing the Bonds should review carefully the Appendices attached hereto as well as copies of the documents described herein.

No dealer, broker, salesman or any other person has been authorized by the State to give any information or to make any representations with respect to the Bonds, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Certain information contained herein has been obtained from the State and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness. The information and the expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the State or its agencies, authorities, instrumentalities or political subdivisions as described herein since the date hereof.

Upon issuance, the Bonds will not be registered under the Securities Act of 1933, as amended, or listed on any stock or other securities exchange and the Resolution (as defined herein) will not have been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. The registration or qualification of the Bonds in accordance with applicable provisions of the securities laws of the states in which the Bonds have been registered or qualified, if any, and the exemption from registration or qualification in other states cannot be regarded as a recommendation of the Bonds. Neither these states nor any of their agencies have passed upon the merits of the Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity has passed upon the accuracy or adequacy of this Official Statement or approved the Bonds for sale.

References in this Official Statement to acts, statutes, laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive, and all such references are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications and exceptions to statements made herein. This Official Statement is distributed in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The information in this Official Statement concerning The Depository Trust Company ("DTC") and DTC's book-entry system has been obtained from DTC, and the State takes no responsibility for the accuracy thereof. Such information has not been independently verified by the State, and the State makes no representation as to the accuracy or completeness of such information.

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**OFFICIAL STATEMENT
of the
STATE OF NEW JERSEY
relating to
\$325,000,000
GENERAL OBLIGATION BONDS
(Various Purposes)**

**General Obligation Bonds (Tax-Exempt)
consisting of
\$15,000,000 Water Supply Bonds (1981) (Series M)
\$11,000,000 Hazardous Discharge Bonds of 1986 (Series J)
\$5,000,000 Stormwater Management and Combined Sewer Overflow Abatement Bonds (1989) (Series H)
\$10,500,000 Port of New Jersey Revitalization, Dredging, Environmental Cleanup, Lake Restoration, and
Delaware Bay Area Economic Development Bonds (1996) (Series J)
\$33,500,000 2009 New Jersey Green Acres, Water Supply and Floodplain Protection, and Farmland and
Historic Preservation Bonds (Series D)
\$75,000,000 New Jersey Library Construction Bonds (2017) (Series A)**

and

**General Obligation Bonds (Federally Taxable)
consisting of
\$175,000,000 Securing Our Children's Future Bonds (2018) (Series A)**

INTRODUCTION

This Official Statement, which includes the cover page and the Appendices attached hereto (the "Official Statement") has been prepared by the State of New Jersey (the "State") to provide certain information relating to the State and the proposed delivery of \$150,000,000 aggregate principal amount of its General Obligation Bonds (Various Purposes) consisting of Water Supply Bonds (1981) (Series M) (the "Series M Bonds"), Hazardous Discharge Bonds of 1986 (Series J) (the "1986 Series J Bonds"), Stormwater Management and Combined Sewer Overflow Abatement Bonds (1989) (Series H) (the "Series H Bonds"), Port of New Jersey Revitalization, Dredging, Environmental Cleanup, Lake Restoration, and Delaware Bay Area Economic Development Bonds (1996) (the "1996 Series J Bonds"), 2009 New Jersey Green Acres, Water Supply and Floodplain Protection, and Farmland and Historic Preservation Bonds (Series D) (the "Series D Bonds"), New Jersey Library Construction Bonds (2017) (Series A) (the "2017 Series A Bonds") (collectively, the "Tax-Exempt Bonds"), and \$175,000,000 aggregate principal amount, Securing Our Children's Future Bonds (2018) (Series A) (Federally Taxable) (the "Taxable Bonds" and, together with the Tax-Exempt Bonds, the "Bonds").

The Bonds are being issued by the State pursuant to various laws enacted by the New Jersey State Legislature and approved by the voters of the State (such acts, as they may be amended from time to time, hereinafter collectively referred to as the "Acts"). (See "AUTHORIZATION OF THE BONDS" herein.)

Initially, the State will act as "Paying Agent," "Registrar" and "Transfer Agent" for the Bonds. However, the State reserves the right to appoint one or more Paying Agents, Registrars and Transfer Agents.

Pursuant to the Acts, the Bonds are direct and general obligations of the State and the faith and credit of the State are pledged for the payment of the principal thereof, the interest thereon and, if provided, the redemption premium thereon, if any, as the same become due. For financial information relating to the State and information relating to the outstanding indebtedness of the State, see "APPENDIX I - FINANCIAL AND OTHER INFORMATION RELATING TO THE STATE OF NEW JERSEY" attached hereto.

All references herein to the Acts are qualified in their entirety by reference to the complete text of the Acts, copies of which are available from the State, and all references to the Bonds are qualified in their entirety to the definitive forms thereof and the information with respect thereto contained therein.

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AUTHORIZATION OF THE BONDS

The Bonds are authorized under the Acts which, together with the total amount of bonds authorized under each such Act and the principal amount of bonds issued thereunder, including the Bonds, are listed below:

<u>Title of Bonds</u>	<u>Act</u>	<u>Bonds Offered</u>	<u>Total Bonds Authorized</u>	<u>Total Bonds Issued (Including Bonds Offered)</u>
Water Supply Bonds (1981) (Series M)	L. 1981, c. 261, as amended by L. 1983, c. 355, and L. 1997, c. 223	\$15,000,000	\$350,000,000	\$291,850,000
Hazardous Discharge Bonds of 1986 (Series J)	L. 1986, c. 113, as amended by L. 1989, c. 182	\$11,000,000	\$200,000,000	\$173,000,000
Stormwater Management and Combined Sewer Overflow Abatement Bonds (1989) (Series H)	L. 1989, c. 181, as amended by L. 1997, c. 225	\$5,000,000	\$50,000,000	\$45,500,000
Port of New Jersey Revitalization, Dredging, Environmental Cleanup, Lake Restoration, and Delaware Bay Area Economic Development Bonds (1996) (Series J)	L. 1996, c. 70	\$10,500,000	\$300,000,000	\$237,700,000
2009 New Jersey Green Acres, Water Supply and Floodplain Protection, and Farmland and Historic Preservation Bonds (Series D)	L. 2009, c. 117	\$33,500,000	\$400,000,000	\$344,700,000
New Jersey Library Construction Bonds (2017) (Series A)	L. 2017, c. 149	\$75,000,000	\$125,000,000	\$75,000,000
Securing Our Children's Future Bonds (2018) (Series A) (Federally Taxable)	L. 2018, c. 119	\$175,000,000	\$500,000,000	\$175,000,000

The Governor of the State, Treasurer of the State (the "State Treasurer") and the Director of the Division of Budget and Accounting in the Department of the Treasury, or in their absence or incapacity, the persons authorized by law to act in their capacities, or any two of such officials, have been designated as the Issuing Officials for the Bonds (the "Issuing Officials"), pursuant to the provisions of the Acts. The Issuing Officials are authorized pursuant to the Acts to carry out the provisions thereof relating to the issuance of the Bonds and shall determine all matters in connection therewith subject to the provisions of such Acts. Pursuant to such authorization under the Acts, the Issuing Officials adopted two resolutions, on October 16, 2019 and

January 7, 2020, respectively (collectively, the "Resolution"), authorizing various matters relating to the Bonds.

DESCRIPTION OF THE BONDS

General

The Bonds will be dated the date of delivery thereof, will bear interest at the respective rates per annum set forth on the inside cover hereof, and will mature on the dates and in the principal amounts set forth below. Interest on the Bonds is payable on June 1, 2020 and semi-annually thereafter on December 1 and June 1 in each year until maturity or prior redemption.

Each series of the Bonds will mature on June 1 in each of the years and principal amounts as follows:

<u>Year</u>	<u>Water Supply Bonds (1981) (Series M)</u>	<u>Hazardous Discharge Bonds of 1986 (Series J)</u>	<u>Stormwater Management and Combined Sewer Overflow Abatement Bonds (1989) (Series H)</u>	<u>Port of New Jersey Revitalization, Dredging, Environmental Cleanup, Lake Restoration, and Delaware Bay Area Economic Development Bonds (1996) (Series J)</u>	<u>2009 New Jersey Green Acres, Water Supply and Floodplain Protection, and Farmland and Historic Preservation Bonds (Series D)</u>	<u>New Jersey Library Construction Bonds (2017) (Series A)</u>	<u>Securing Our Children's Future Bonds (2018) (Series A) (Federally Taxable)</u>
2023	-	-	-	-	-	-	\$13,870,000
2024	-	-	-	-	-	-	14,205,000
2025	-	-	-	-	-	-	14,560,000
2026	-	-	-	-	-	-	14,945,000
2027	-	-	-	-	-	-	15,350,000
2028	-	-	-	-	-	-	15,780,000
2029	-	-	-	-	-	-	16,235,000
2030	-	-	-	-	-	-	16,725,000
2031	-	-	-	-	-	-	17,230,000
2032	-	-	-	-	-	-	17,765,000
2033	-	-	-	-	-	-	18,335,000
2034	\$1,405,000	\$1,030,000	\$470,000	\$985,000	\$3,145,000	\$7,035,000	-
2035	1,465,000	1,075,000	485,000	1,025,000	3,265,000	7,320,000	-
2036	1,520,000	1,115,000	510,000	1,065,000	3,400,000	7,610,000	-
2037	1,585,000	1,160,000	525,000	1,110,000	3,535,000	7,915,000	-
2038	1,645,000	1,210,000	550,000	1,150,000	3,675,000	8,230,000	-
2039	1,710,000	1,255,000	570,000	1,200,000	3,825,000	8,560,000	-
2040	1,800,000	1,320,000	600,000	1,255,000	4,015,000	8,985,000	-
2041	1,890,000	1,385,000	630,000	1,320,000	4,215,000	9,435,000	-
2042	1,980,000	1,450,000	660,000	1,390,000	4,425,000	9,910,000	-
TOTAL	\$15,000,000	\$11,000,000	\$5,000,000	\$10,500,000	\$33,500,000	\$75,000,000	\$175,000,000

The Bonds are issuable as fully registered bonds and are payable as to principal and redemption premium, if any, upon presentation and surrender thereof at the New Jersey Department of the Treasury, Trenton, New Jersey, as Paying Agent. Interest on the Bonds is payable by check or draft or wire transfer mailed or wired, as applicable, by the State to the registered owners appearing in, and mailed to the addresses appearing on, the registration books of the State on the respective May 15 and November 15 prior to each interest payment date. As is more fully described in "APPENDIX IV - BOOK-ENTRY ONLY SYSTEM"

attached hereto, The Depository Trust Company ("DTC") shall be the only initial registered owner of the Bonds.

Optional Redemption of Tax-Exempt Bonds

The Tax-Exempt Bonds will be subject to redemption prior to their respective stated maturity dates, at par, at the option of the State, acting through the Issuing Officials, on any date on or after December 1, 2027, either in whole or in part, by lot, within a maturity from maturities selected by the State upon the payment of 100% of the principal amount thereof and accrued interest thereon to the date fixed for redemption.

Optional Make-Whole Redemption of Taxable Bonds

The Taxable Bonds are subject to make-whole redemption prior to maturity by written direction of the State, in whole or in part, on any Business Day, at the "*Make-Whole Redemption Price*" (as hereinafter defined).

The "*Make-Whole Redemption Price*" is the greater of (i) 100% of the "*Amortized Value*" of the Taxable Bonds being redeemed or (ii) the sum of the present value of the remaining scheduled payments of principal, plus accrued interest, if any, to the maturity date of the Taxable Bonds being redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Taxable Bonds are redeemed, discounted to the date on which the Taxable Bonds are redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the adjusted "*Treasury Rate*" (as hereinafter defined), plus 15 basis points plus, in each case, accrued and unpaid interest on the Taxable Bonds being redeemed on the redemption date.

The "*Treasury Rate*" will be, as of the redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least five (5) Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the Taxable Bonds being redeemed; *provided, however*, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

The "*Amortized Value*" shall mean the principal amount of the Taxable Bonds to be redeemed pursuant to a make-whole call multiplied by the price of such Taxable Bonds expressed as a percentage, calculated on the industry standard method of calculating bond prices, with a delivery date equal to the redemption date, the maturity date of such Taxable Bonds and a yield equal to such Taxable Bonds original reoffering yield set forth in the official statement.

The Make-Whole Redemption Price of the Taxable Bonds being redeemed pursuant to the make-whole redemption provisions described above will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the State at the State's expense to calculate such Make-Whole Redemption Price. The State may conclusively rely upon the determination of such Make-Whole Redemption Price by such independent accounting firm, investment banking firm or financial advisor, and State will not be liable for such reliance.

Notice of Redemption. Unless the State is the Paying Agent and Transfer Agent, written notice of its election to redeem any Bond shall be mailed by the State to the Paying Agent and Transfer Agent not less than sixty (60) days prior to the redemption date. The Paying Agent and Transfer Agent shall mail notice of redemption in the name of the State, not less than thirty (30) days nor more than sixty (60) days prior to the redemption date, to the registered owners of the Bonds to be redeemed at their addresses appearing on the registration books maintained by the Paying Agent and Transfer Agent. The Paying Agent and Transfer Agent, in addition to notice by mail, may publish or cause to be published once a week, for at least two successive weeks, notice of such redemption in a financial newspaper of general circulation in the City of New York, New York, the first such publication being not less than thirty (30) days nor more than sixty (60) days prior to the redemption date. In no event will such publication be a condition precedent to redemption nor will the failure to publish or the failure of any registered owner of the Bonds to receive any redemption notice affect the validity of the redemption proceedings.

SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

The Acts make the following appropriations, to provide for the payment of the principal of, interest on and, if provided therein, the redemption premium of, if any, the Bonds, in the following order of priority;

(a) Revenue derived by the State from the tax collected under and by virtue of the provisions of the Sales and Use Tax Act, L. 1966, c. 30 (N.J.S.A. 54:32B-1, *et seq.*), as amended and supplemented, or so much thereof as may be required. The revenues from the taxes and fees referred to above are also appropriated to the payment of future bond issues of the State.

(b) If in any year or at any time the funds appropriated as described in (a) above are insufficient or not available to meet the interest and principal payments and, if provided, redemption premium payments, if any, upon outstanding bonds issued under the Acts, a tax shall be assessed, levied and collected annually in each of the municipalities of the counties of the State on all real and personal property upon which municipal taxes are or shall be assessed, levied and collected sufficient to meet interest payable on outstanding bonds issued under the Acts and proposed to be issued under the Acts in the calendar year in which such tax is to be raised and principal of and interest on the Bonds falling due in the year following the year for which the tax is levied. The governing body of each municipality shall pay the amount of the tax assessed and levied to the respective county treasurer on or before December 15 in each year and the county treasurer shall pay the amount of the tax to the State Treasurer on or before December 20 in each year.

The Acts further provide that if on or before December 31 in any year, the Issuing Officials determine by resolution that there are moneys in the State's General Fund, beyond the needs of the State, sufficient to meet the principal of the Bonds falling due and all interest and, if provided, redemption premium, if any, payable in the ensuing calendar year, then the Issuing Officials shall by resolution so find and shall file such resolution in the office of the State Treasurer, whereupon the State Treasurer shall transfer such moneys to a separate fund to be designated by the State Treasurer and shall pay the principal, interest and, if provided, redemption premium, if any, out of such fund as the same shall become due and payable, and the other sources of payment of such principal, interest and, if provided, redemption premium, if any, described in subparagraphs (a) and (b) above shall not then be available for such payments of principal, interest and redemption premiums, if any. The Acts also provide that if by December 31 of any year the State Treasurer determines that there will be insufficient moneys available for the payment of principal of and interest on the Bonds coming due in the calendar year following the immediately ensuing calendar year, a tax shall be

assessed, levied and collected in each county in the State in the immediately ensuing calendar year that is sufficient to pay such principal and interest.

See "APPENDIX I - FINANCIAL AND OTHER INFORMATION RELATING TO THE STATE OF NEW JERSEY - LONG-TERM OBLIGATIONS" for a description of future debt service requirements of General Obligation Bonds of the State.

The Acts pledge the faith and credit of the State to the payment of the principal of, interest and, redemption premium, if any, on the Bonds authorized by such Acts. If the State fails to pay the principal of, interest and, if provided, redemption premium, if any, on the Bonds, a holder of the Bonds has the right, among other legal and equitable remedies which may be available, to institute suit against the State for payment of the Bonds. A judgment against the State resulting from such suit will be payable from funds appropriated or otherwise provided for by the Acts.

APPLICATION OF BOND PROCEEDS

The proceeds from the sale of the Bonds are intended to be applied to ongoing capital expenditure programs of the State as described below. In certain cases, these programs have been funded on a temporary basis by general fund moneys or other available moneys. In these cases, the proceeds from the sale of the Bonds will be used to reimburse the funds advanced. Pending disbursements by the State, the proceeds of such Bonds will be invested in accordance with applicable State statutes and federal law.

In the case of the Water Supply Bonds (1981) (Series M), the enabling legislation provides that said bonds are authorized for the purposes of covering the costs of the New Jersey Department of Environmental Protection (NJDEP) for planning and feasibility studies for ground and surface water programs, water delivery and treatment programs, the analysis and implementation of water conservation practices, the updating of the New Jersey Statewide Water Supply Plan; for planning, designing, and constructing State water supply facilities; and for providing loans for local projects to plan, design, and construct water supply facilities to resolve contamination problems as identified by the NJDEP; and for the rehabilitation, repair or consolidation of antiquated, damaged or inadequately operating water supply facilities, all as recommended by the New Jersey Statewide Water Supply Plan.

In the case of the Hazardous Discharge Bonds of 1986 (Series J), the enabling legislation provides that said bonds are authorized for the purposes of (1) the identification, cleanup and removal of hazardous discharges; (2) the provision of low or zero interest loans to local government units that utilize groundwater as a source of potable water for costs incurred for the construction of water supply treatment or replacement projects when the groundwater is found to be contaminated, including construction of a water supply facility to replace a contaminated water supply, where such contamination is directly caused by hazardous discharges the identification, cleanup and removal of which are eligible costs under this act and where such treatment or replacement projects are carried out at the same time or subsequent to such cleanup and removal; and (3) the provision of funds for the costs of State and local wellhead and aquifer protection projects, and the provision of low or zero interest loans to local government units for the cost of local wellhead and aquifer projects.

In the case of the Stormwater Management and Combined Sewer Overflow Abatement Bonds (1989) (Series H), the enabling legislation provides that said bonds are authorized for the purpose of providing grants and loans to local government units for the costs of stormwater management and combined sewer overflow abatement projects.

In the case of the Port of New Jersey Revitalization, Dredging, Environmental Cleanup, Lake Restoration, and Delaware Bay Area Economic Development Bonds (1996) (Series J), the enabling legislation provides that said bonds are authorized for the purposes of (i) financing, in whole or in part, the cost of the construction of subaqueous pits and a containment facility or facilities for the disposal of dredged material from the port region, the cost of projects related to the decontamination of dredged material, and the cost of dredging the Kill Van Kull, the Arthur Kill and other navigation channels located in the port region; (ii) paying or financing costs incurred by the State for the remediation of hazardous discharge sites and for the construction of water supply facilities to replace potable water supplies determined to be contaminated or threatened by a discharge; (iii) financing the cost of dredging of navigation channels not located in the port region; (iv) financing the cost of the purchase of real property, equipment, and any building, construction, and miscellaneous site improvements associated with an economic development site; and (v) financing the cost of lake restoration projects.

In the case of the 2009 New Jersey Green Acres, Water Supply and Floodplain Protection, and Farmland and Historic Preservation Bonds (Series D), the enabling legislation provides that said bonds are authorized for the purposes of (i) providing moneys to meet the cost of public acquisition and development of lands by the State for recreation and conservation purposes; (ii) providing State grants and loans to assist local government units to meet the cost of acquiring and developing lands for recreation and conservation purposes; (iii) providing State matching grants to assist qualifying tax-exempt nonprofit organizations to meet the cost of acquiring lands for recreation and conservation purposes; (iv) the preservation of farmland; (v) providing moneys to meet the Blue Acres cost of acquisition by the State, for recreation and conservation purposes, of lands that have been damaged by, or may be prone to incurring damage caused by storms or storm-related flooding, or that may buffer or protect other lands from such damage; and (vi) providing State matching grants to assist State agencies or entities, local government units, and qualifying tax-exempt nonprofit organizations to meet the cost of preservation of historic properties.

In the case of the New Jersey Library Construction Bonds (2017) (Series A), the enabling legislation provides that said bonds are authorized for the purposes of providing moneys for capital project grants for construction, reconstruction, development, extension, improvement and furnishing of New Jersey's public libraries.

In the case of the Securing Our Children's Future Bonds (2018) (Series A) (Federally Taxable), the enabling legislation provides that said bonds are authorized for the purposes of providing money for capital grants for (i) county vocational school district career and technical education projects, (ii) school security projects for schools with grades kindergarten through 12, (iii) county college career and technical education projects, and (iv) school district water infrastructure improvement projects.

APPROVAL OF LEGALITY

In the opinion of the Attorney General of the State and of Eckert Seamans Cherin & Mellott, LLC, Princeton, New Jersey and Philadelphia, Pennsylvania, Bond Counsel to the State, the Bonds are valid and legally binding direct and general obligations of the State, the payment of which is secured by a pledge of the faith and credit of the State. Such opinions will be substantially in the form attached to this Official Statement as APPENDIX II.

TAX MATTERS

Federal Tax Exemption

Exclusion of Interest from Gross Income.

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Tax-Exempt Bonds, [including interest in the form of original issue discount], will not be includible in the gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the State with the requirements of the Code.

In rendering its opinion, Bond Counsel has assumed compliance by the State with its representations contained in the Tax Certificate executed and delivered in connection with the issuance of the Tax-Exempt Bonds, that are intended to comply with the provisions of the Code relating to actions to be taken by the State in respect of the Tax-Exempt Bonds after issuance thereof to the extent necessary to effect or maintain the exclusion from federal gross income of the interest on the Tax-Exempt Bonds. These covenants relate to, inter alia, the use of and investment of proceeds of the Tax-Exempt Bonds and the rebate to the United States Treasury of specified arbitrage earnings, if any. Failure to comply with such covenants could result in interest on the Tax-Exempt Bonds becoming includible in gross income for federal income tax purposes from the date of issuance of the Tax-Exempt Bonds.

Other Federal Tax Matters.

Ownership or disposition of the Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, taxpayers who have an initial basis in the Bonds greater or less than the principal amount thereof, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers, including banks, thrift institutions and other financial institutions subject to Section 265 of the Code, who may be deemed to have incurred or continued indebtedness to purchase or to carry the Bonds.

New Jersey Gross Income Tax

Bond Counsel is of the opinion that, under existing laws of the State, interest on the Bonds and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act.

Future Events

Tax legislation, administrative action taken by tax authorities, and court decisions, whether at the federal or state level, may adversely affect the exclusion from gross income of interest on the Tax-Exempt Bonds for federal income tax purposes, or the exclusion of interest on and any gain realized from the sale of the Bonds under the existing New Jersey Gross Income Tax Act, and any such legislation, administrative action or court decisions could adversely affect the market price or marketability of the Bonds.

Bond Counsel is rendering its opinions under existing law as of the date of issuance of the Bonds, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise.

EACH PURCHASER OF THE BONDS SHOULD CONSULT HIS OR HER OWN TAX ADVISOR REGARDING ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED FEDERAL OR NEW JERSEY STATE TAX LEGISLATION, ADMINISTRATIVE ACTIONS TAKEN BY TAX AUTHORITIES, OR COURT DECISIONS.

ALL POTENTIAL PURCHASERS OF THE BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE.

CONTINUING DISCLOSURE

On the date of delivery of the Bonds, the State will enter into an Agreement with Respect to Continuing Disclosure (the "Continuing Disclosure Agreement") for the benefit of the beneficial holders of the Bonds pursuant to which the State will agree to comply with the secondary market disclosure requirements of the United States Securities and Exchange Commission's Rule 15c2-12. See "APPENDIX III - FORM OF AGREEMENT WITH RESPECT TO CONTINUING DISCLOSURE". Specifically, the State will covenant in the Continuing Disclosure Agreement to provide certain financial information and operating data relating to the State to the Municipal Securities Rulemaking Board ("MSRB") by not later than April 1 of each year with respect to the fiscal year of the State ending the preceding June 30, commencing with the fiscal year of the State ending June 30, 2019 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, as provided in the Continuing Disclosure Agreement.

For the Fiscal Year ended June 30, 2018, the Annual Report was due to the MSRB no later than March 15, 2019 in connection with its general obligation bonds and no later than April 1, 2019 in connection with its subject-to-appropriation bonds. On March 15, 2019, the Annual Report was filed without including the State's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018 ("CAFR"). On March 29, 2019, the State posted a notice on the MSRB's Electronic Municipal Market Access service ("EMMA") that the CAFR would not be filed by April 1, 2019, but would be filed as soon as it was available. The CAFR was subsequently filed on EMMA on May 1, 2019.

In January 2019, the State Treasurer became aware that the Annual Reports and the State's CAFR for Fiscal Year 2014 were filed after the date specified in the continuing disclosure agreement for the New Jersey Economic Development Authority's 1996 Liberty State Park Lease Rental Refunding Bonds. Such Bonds were redeemed in full in December 2015, and are no longer outstanding.

The State Treasurer has become aware of certain facts that the State Treasurer does not consider to be material but that are disclosed below for the benefit of the holders and Beneficial Owners of the Bonds.

Some information that was made available in a timely manner on EMMA may not have been linked to all relevant CUSIP numbers. In addition, filings with respect to certain bond insurer ratings changes were either posted late or the filings were not posted at all. The State Treasurer is not always made aware of or may not have received notices from the rating agencies or the bond insurers of changes in the bond insurers' ratings. Such bond insurer ratings changes may or may not have had an effect on the ratings of the applicable bonds.

MUNICIPAL ADVISOR

Acacia Financial Group, Inc., of Mount Laurel, New Jersey, served as municipal advisor to the State with respect to the sale of the Bonds. Acacia Financial Group, Inc. is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing or trading of municipal securities or any other negotiable instruments.

UNDERWRITING

Morgan Stanley & Co, LLC submitted the successful bid at the public sale of the Tax-Exempt Bonds on January 7, 2020 and has agreed, pursuant to the terms of the Notice of Sale relating to the Tax-Exempt Bonds, to purchase the Tax-Exempt Bonds from the State at an aggregate price of \$163,910,883.45 (representing the principal amount of \$150,000,000.00 plus net original issue premium in the amount of \$14,457,695.55 less underwriter's discount in the amount of \$546,812.10) and to make a bona fide public offering of the Tax-Exempt Bonds at the initial public offering prices set forth on the inside cover page of this Official Statement.

Morgan Stanley & Co, LLC submitted the successful bid at the public sale of the Taxable Bonds on January 7, 2020 and has agreed, pursuant to the terms of the Notice of Sale relating to the Taxable Bonds, to purchase the Taxable Bonds from the State at an aggregate price of \$176,576,406.25 (representing the principal amount of \$175,000,000.00 plus original issue premium in the amount of \$1,922,068.70 less underwriter's discount in the amount of \$345,662.45) and to make a bona fide public offering of the Taxable Bonds at the initial public offering prices set forth on the inside cover page of this Official Statement.

RATINGS

Fitch Ratings ("Fitch"), Kroll Bond Rating Agency ("KBRA"), Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), have assigned their long-term municipal bond ratings of "A" "A" "A3" and "A-", respectively, to the Bonds.

These ratings are not a recommendation to buy, sell or hold the Bonds and may be subject to revision or withdrawal at any time. These ratings reflect only the view of Fitch, KBRA, Moody's and S&P, respectively, and an explanation thereof may be obtained only from Fitch, KBRA, Moody's and S&P. There is no assurance that such ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely by Fitch, KBRA, Moody's and S&P if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

MISCELLANEOUS

The references herein to the Resolution and other documents are brief outlines of certain provisions thereof. Such outlines do not purport to be complete, and reference is made to such documents, laws and agreements, copies of which will be furnished by the State, upon request, for full and complete statements of their provisions.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed

as a contract or agreement between the State and the purchasers or holders of any Bonds. All inquiries for information or questions regarding this Official Statement should be directed to the New Jersey Department of the Treasury, Trenton, New Jersey 08625 (telephone (609) 984-4888).

All estimates and assumptions of financial and other information in this Official Statement are based upon information currently available, are believed to be reasonable and are not to be construed as assurances of actual outcomes. All estimates of future performance or events constituting "forward looking statements" set forth herein may or may not be realized because of a wide variety of economic and other circumstances. Included in such forward-looking statements are numbers and other information from budgets for current fiscal years.

THE STATE OF NEW JERSEY

By: /s/ Elizabeth Maher Muoio
Elizabeth Maher Muoio
Treasurer of the State of New Jersey

APPENDIX I-1

SUPPLEMENT, DATED NOVEMBER 12, 2019, TO APPENDIX I

Supplement dated November 12, 2019 to Appendix I, dated September 13, 2019

Please insert the following paragraph on page I-76 after the third paragraph on such page in the section entitled "LITIGATION."

Abbott v. Burke (Motion in Aid of Litigants' Rights). On November 8, 2019, the State defendants (consisting of the Commissioner of Education, the Budget Director, the Treasurer and the State Board of Education) received a motion in aid of litigants' rights filed by the Education Law Center (the "ELC") seeking an order from the New Jersey Supreme Court to compel the State defendants to: (1) within 30 days and based on the 2019 Educational Facilities Needs Assessment, submit to the State Legislature a revised statewide strategic plan of priority school facilities projects in SDA districts, as required by *N.J.S.A. 18A:7G-5(m)(3)*, to be funded and managed by the New Jersey Schools Development Authority over the next five (5) years; and (2) promptly seek and secure such school construction funding from the State Legislature as is required to manage and complete the school facilities projects in the to-be revised statewide strategic plan. The ELC is seeking to enforce the school facilities construction funding mandate set forth in *Abbott v. Burke*, 153 *N.J.* 480 (1998) and *Abbott v. Burke*, 164 *N.J.* 84 (2000). The State will vigorously defend this matter.

State of New Jersey

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APPENDIX I

FINANCIAL AND OTHER INFORMATION RELATING TO

THE STATE OF NEW JERSEY

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APPENDIX I

DATED SEPTEMBER 13, 2019

FINANCIAL AND OTHER INFORMATION RELATING TO THE STATE OF NEW JERSEY

This Appendix I speaks only as of its date and contains information supplied by the State that a prospective investor might consider in reaching a decision to invest in securities of the State or securities issued by governmental authorities that are secured by amounts subject to appropriations by the State Legislature. Nothing contained in this Appendix I shall create any implication that there has been no change in the affairs of the State since the date hereof. This Appendix I replaces Appendix I dated September 21, 2018. The principal changes reflected in this Appendix I are the updates of information to reflect the enactment of the Fiscal Year 2020 Appropriations Act as supplemented by *L. 2019, c. 151* and *L. 2019, c. 152* (collectively, the "Fiscal Year 2020 Appropriations Act") and certain financial and other activity which occurred during Fiscal Year 2019. The State intends to further update or supplement the information contained in this Appendix I upon becoming aware of the occurrence of any event that materially changes the information contained herein.

All quotations from and summaries and explanations of provisions of laws of the State contained in this Appendix I do not purport to be complete and are qualified in their entirety by reference to the official compilation of State laws.

All estimates and assumptions of financial and other information set forth in this Appendix I are and will be based on information available as of its date, are believed to be reasonable and are not to be construed as assurances of actual outcomes. All estimates of future performance or events constituting "forward-looking statements" set forth in this Appendix I may or may not be realized because of a wide variety of economic and other circumstances. Included in such forward-looking statements are budgetary numbers and other information for the most recent past and current fiscal years.

From time to time, State officials or representatives of State governmental authorities may issue statements or reports, post information on websites, or otherwise make public information that contains predictions, projections or other information relating to the State's financial condition, including potential operating results for the current fiscal year and for future fiscal years, that may vary materially from the information provided in this Appendix I. In addition, such officials and authorities as well as other persons and groups, with or without official State governmental approval and cooperation, may undertake studies and analyses, whether or not designed to be made public, which may contain information regarding the State and its financial condition which differs significantly from the information provided herein or on which the information provided herein is based. Such statements, reports and information are not part of this Appendix I or the Official Statement to which this Appendix I is appended and should not be relied upon by investors and other market participants.

To the extent the State determines it is necessary or appropriate to revise, update or supplement the information contained in this Appendix I, the State will prepare and make public supplements to this Appendix I. Investors and other market participants should refer to subsequent Official Statements containing updates to this Appendix I or filings with the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board ("MSRB") for official revisions, updates or supplements to the information contained in this Appendix I. In determining the appropriate information concerning the State to be relied upon in making an investment decision, investors and other market participants should refer only to this Appendix I and official supplements thereto provided by the State.

The Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018, including Management's Discussion and Analysis (the "2018 CAFR"), has been separately filed with the MSRB and is incorporated by specific reference herein and is considered to be part of this Appendix I. The State has also placed a copy of the 2018 CAFR on the following website at www.nj.gov/treasury/omb. No statement on that website or any other website is included by specific cross-reference herein.

Although the State has prepared the information on the above website for the convenience of those seeking that information, no decision in reliance upon that information should be made. Typographical or other errors may have occurred in converting the original source documents to their digital format, and the State assumes no liability or responsibility for errors or omissions contained on any website. Further, the State disclaims any duty or obligation to update or maintain the availability of the information contained on any website or any responsibility or liability for any damages caused by viruses contained within the electronic files on any website. The State also assumes no liability or responsibility for any errors or omissions or for any update to dated information contained on any website.

APPENDIX I **FINANCIAL AND OTHER INFORMATION RELATING TO THE STATE OF NEW JERSEY**

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* Filed with the MSRB and incorporated by specific reference herein.

CERTAIN CONSTITUTIONAL PROVISIONS AND JUDICIAL DECISIONS

The New Jersey State Constitution (the "State Constitution") provides for a bicameral State Legislature which meets in biennial sessions. Members of the State Senate are elected to terms of four years, except for the election following a decennial census, in which case the election is for a term of two years. Members of the General Assembly are elected to terms of two years. Both the Governor and the Lieutenant Governor are elected to terms of four years each.

Budget Limitations

The State Constitution provides, in part, that no money shall be drawn from the State Treasury but for appropriations made by law and that no law appropriating money for any State purpose shall be enacted if the appropriations contained therein, together with all prior appropriations made for the same fiscal period, shall exceed the total amount of the revenue on hand and anticipated to be available to meet such appropriations during such fiscal period, as certified by the Governor (Article VIII, Sec. 2, para. 2) (the "Appropriations Clause"). In addition to line-item appropriations for the payment of debt service on bonds, notes or other obligations which are subject to appropriation, beginning in Fiscal Year 2005, the annual Appropriations Act contains a general language provision which appropriates such additional amounts necessary to pay such debt service obligations subject to the approval of the Budget Director (defined below). For bonds which must be paid for from constitutionally-dedicated sources, such supplemental appropriations would need to be from constitutionally-dedicated revenues. (For general information regarding the budget process, see "STATE FINANCES — Budget and Appropriation Process" herein; for the application of the budget process for Fiscal Year 2020, see "FINANCIAL RESULTS AND ESTIMATES" herein.)

Debt Limitations

The State Constitution further provides, in part, that the State Legislature shall not, in any manner, create in any fiscal year a debt or liability of the State, which, together with any previous debts or liabilities, shall exceed at any time one percent of the total appropriations for such year, unless the same shall be authorized by a law for some single object or work distinctly specified therein. No such law shall take effect until it shall have been submitted to the people at a general election and approved by a majority of the legally qualified voters voting thereon; provided, however, no such voter approval is required for any such law authorizing the creation of a debt for a refinancing of all or any portion of the outstanding debts or liabilities of the State, so long as such refinancing shall produce a debt service savings. Furthermore, any funds raised under these authorizations must be applied only to the specific object stated therein. The State Constitution provides as to any law authorizing such debt: "Regardless of any limitation relating to taxation in this Constitution, such law shall provide the ways and means, exclusive of loans, to pay the interest of such debt or liability as it falls due, and also to pay and discharge the principal thereof within thirty-five years from the time it is contracted; and the law shall not be repealed until such debt or liability and the interest thereon are fully paid and discharged." This constitutional provision does not apply to the creation of debts or liabilities for purposes of war, or to repel invasion, or to suppress insurrection or to meet emergencies caused by disaster or act of God (Article VIII, Sec. 2, para. 3) (the "Debt Limitation Clause").

The Debt Limitation Clause was amended by the voters on November 4, 2008 (the "Lance Amendment"). The Lance Amendment provides that, beginning after the effective date of the amendment, the State Legislature is prohibited from enacting any law that creates or authorizes the creation of a debt or liability of an autonomous State corporate entity, which debt or liability has a pledge of an annual appropriation as the means to pay the principal of and interest on such debt or liability, unless a law authorizing the creation of that debt or liability for some single object or work distinctly specified therein shall have been submitted to the people and approved by a majority of the legally qualified voters of the State voting thereon at a general election. The Lance Amendment does not require voter approval for any such law providing the means to pay the principal of and interest on such debt or liability subject to appropriations of an independent non-State source of revenue paid by third persons for the use of the single object or work thereof, or from a source of State revenue otherwise required to be appropriated pursuant to another provision of the State Constitution. Furthermore, voter approval is not needed for any law providing for the refinancing of all or a portion of any outstanding debts or liabilities of the State or of an autonomous State corporate entity provided that such law requires that the refinancing produces debt service savings.

Judicial Decisions

Pursuant to the Debt Limitation and the Appropriation Clauses described above, the State has issued various types of debt instruments. Under the Debt Limitation Clause, the State issues "General Obligation Bonds" pursuant to separate bond acts approved by the voters at a general election. The faith and credit of the State is pledged for the payment of such General Obligation Bonds. In addition, over the past fifty years, legislation has been enacted from time to time which provides for the issuance of obligations by various independent authorities, the debt service on which is paid by annual appropriations made by the State Legislature ("State Appropriation Obligations").

In December 2000, a challenge was brought seeking a declaration that legislative programs authorizing State Appropriation Obligations violated the Debt Limitation Clause. The New Jersey Supreme Court's first ruling in this matter ("*Lonegan I*") was limited solely to the issuance of State Appropriation Obligations by the New Jersey Economic Development Authority ("NJEDA") authorized by the Educational Facilities Construction and Financing Act ("EFCFA"). The Court held that such bonds did not violate the Debt Limitation Clause because such debt was not legally enforceable against the State. *See Lonegan v. State of New Jersey*, 174 N.J. 435 (2002). The Court ordered additional briefing and argument on the other legislatively authorized State Appropriation Obligations. In "*Lonegan II*", issued in April 2003, the Court rejected a broad challenge to the validity of fourteen New Jersey statutes authorizing the issuance of State Appropriation Obligations. The Court held that the Debt Limitation Clause does not apply to debt that is subject to future legislative appropriations because such debt is not legally enforceable against the State. Furthermore, the Court held that under New Jersey law, only debt that is legally enforceable against the State is subject to the Debt Limitation Clause and that in reliance upon such rule, the State Legislature responded to changes in the financial markets that reflect modern economic realities to provide for the issuance of debt where the payment is subject to annual legislative appropriation. *Lonegan v. State of New Jersey*, 176 N.J. 2 (2003).

Following *Lonegan II*, the State Legislature enacted two laws - the Cigarette Tax Securitization Act of 2004, L. 2004, c. 68 and the Motor Vehicle Surcharges Securitization Act of 2004, L. 2004, c. 70 (collectively, the "Securitization Acts"). The Securitization Acts authorized the issuance of State Appropriation Obligations by the NJEDA and provided that the proceeds of these bonds would be deposited into the General Fund and included as revenues to support the Governor's certification of revenues for the annual appropriations act (the "Appropriations Act") as required by the Appropriations Clause. A lawsuit was filed asserting that the Fiscal Year 2005 Appropriations Act was unconstitutional under the Appropriations Clause because of the inclusion of the proceeds of bonds as revenue for the purposes of the Governor's certification of revenues. The plaintiffs further claimed that absent voter approval, these bonds would be unconstitutional under the Debt Limitation Clause. In July 2004, the Supreme Court issued its decision holding that the issuance of bonds under the Securitization Acts did not violate the Debt Limitation Clause but that the proceeds of bonds issued under such acts cannot be included as "revenue" for the purposes of the Appropriations Clause. However, the Court determined that this ruling would be given prospective application only and that the State and the NJEDA would be permitted to proceed with the sale of bonds authorized under the Securitization Acts because barring these bond sales would require significant revisions to, if not a complete overhaul of, that year's budget potentially resulting in great disruption to the State Government. *Lance v. McGreevy*, 180 N.J. 590 (2004).

A further challenge was launched in August 2005, seeking a declaration that the Fiscal Year 2006 Appropriations Act violated the State Constitution because it anticipated revenues in the amount of \$150 million from the proceeds of Tobacco Settlement Asset-Backed Bonds (the "Tobacco Settlement Bonds") to be issued by the Tobacco Settlement Financing Corporation, a public body corporate and politic and an instrumentality of the State (the "Corporation"). On August 12, 2005, the trial court entered an order in favor of the plaintiffs (i) permanently enjoining the issuance of that portion of the Tobacco Settlement Bonds in excess of that necessary to effectuate the refunding of the Corporation's Series 2003 Bonds estimated to be \$150 million, (ii) permanently enjoining the transfer of any portion of the proceeds of the Tobacco Settlement Bonds to the State, and (iii) ruling that the proceeds from the sale of the Tobacco Settlement Bonds would not be "revenue" for purposes of the Appropriations. No appeal was taken and the bonds were not issued.

In July 2008, a complaint was filed in the Superior Court against the State claiming that L. 2008, c. 39 (the "EFCFA Amendment"), was unconstitutional under the Debt Limitation Clause. The EFCFA Amendment, among other things, authorized the issuance by the NJEDA of an additional \$3.9 billion of State Appropriation Bonds. The Superior Court dismissed the complaint in its entirety, with prejudice in December 2008. In November 2009, the Appellate Division affirmed the Superior Court's dismissal of the complaint.

In November 2008, as discussed above, the voters approved the Lance Amendment. A suit was filed in December 2008 in the Superior Court, seeking a declaration that the Lance Amendment was unconstitutional. The Plaintiffs claimed that the ballot question and the interpretative statement were defective. In November 2009, the Court dismissed the Plaintiffs' complaint for failure to state a claim upon which relief can be granted.

The most recent pronouncement by the New Jersey Supreme Court on the Debt Limitation and Appropriations Clauses occurred in their decision on June 9, 2015 in *Burgos v. State* which was a challenge to the State's failure to make the annual required pension contribution pursuant to L. 2011, c. 78 ("Chapter 78"). Chapter 78 provided for various reforms in the pension and health benefit systems and contained a provision providing a "contractual right" to the State making the annual required pension contribution. The State failed to do so and the Court ruled that "the State Legislature and the Governor were without authority to enact an enforceable and legally binding long-term financial agreement through" Chapter 78. Therefore, the Court found that the pension funding right in Chapter 78 is subject to appropriation. *Burgos v. State of New Jersey, et al.*, 222 N.J. 175 (2015).

In 2018, the Appellate Division issued decisions in cases claiming that State Appropriation Obligations issued to finance projects utilizing a "lease-leaseback" structure through the NJEDA violated the Debt Limitation and Appropriation Clauses. In *Wisniewski v. Christie*, the Appellate Division affirmed the trial court decision and dismissed a challenge to State Appropriation Obligations issued by NJEDA to finance renovations to the New Jersey State House and the refunding of certain outstanding indebtedness of the New Jersey Building Authority ("NJBA") relating to prior projects undertaken by the NJBA at the State House. The Appellate Division agreed with the State defendants' position that the matter was moot and dismissed the case on those grounds. However, due to the likelihood that this type of immediate sale of bonds evading the potential for review could occur in the future, the Appellate Division addressed the merits of plaintiff's claims. In that regard, the Appellate Division held that: (1) the Debt Limitation Clause was not violated as the debt was issued by the NJEDA, an independent State authority; (2) the bonds stated on their face that they were not a debt or liability of the State; and (3) the lease-leaseback structure which provides a stream of rental payments, subject to appropriation, to NJEDA to pay the principal and interest on the bonds, is not considered as the State's assumption of such bonded indebtedness.

Two other cases, *Gusciora v. Dept. of the Treasury* and *Wisniewski v. Christie* challenged the issuance of bonds by the NJEDA utilizing a lease-sublease structure to finance the construction of new State buildings for the New Jersey Department of Health, the New Jersey Division of Taxation, and the Juvenile Justice Commission. The Appellate Division denied declaratory and injunctive relief to the plaintiffs who, among several grounds, sought, on an emergency basis, to prohibit the sale the bonds as violating the Debt Limitation Clause. The trial court denied plaintiffs' motion for a stay, while also transferring the cases to the Appellate Division. The Appellate Division denied the *Gusciora* plaintiffs' request for emergent relief and summarily dismissed the *Gusciora* complaint on the merits, finding that there was no merit to the *Gusciora* plaintiffs' argument that the bond financing violated the Debt Limitation Clause as the bond resolution and the sublease between the NJEDA and the State Division of Property Management and Construction explicitly provided that the State's obligation to make rental payments was subject to appropriation by the State Legislature and that there was no violation of the Lance Amendment as no legislative enactments were involved. With respect to plaintiff *Wisniewski*, the Appellate Division found that *Wisniewski's* claim that the issuance of the bonds violated the Debt Limitation Clause did not have a likelihood of success on the merits, citing *Lonegan I* and the *Lance v. McGreevey*, 180 N.J. 590 (2004) cases.

STATE FINANCES

Accounting System

The Director of the Division of Budget and Accounting in the New Jersey Department of the Treasury (the "Budget Director") prescribes and approves the accounting policies of the State and directs their implementation.

The State prepares its financial statements in accordance with current standards that are outlined in the Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*. The State's Comprehensive Annual Financial Report includes government-wide financial statements and fund financial statements. These statements present different views of the State's financial information. (See "COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2018," and the notes referred to therein (the "2018 CAFR") which has been separately filed with the Municipal Securities Rulemaking Board ("MSRB") and is incorporated by specific reference herein and is considered to be part of this Appendix I.) The 2018 CAFR presents the financial position and operating results of the State under generally accepted accounting principles ("GAAP") applicable to state and local governments as established by GASB. GASB is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in GASB's *Codification of Governmental Accounting and Financial Reporting Standards*.

The significant accounting policies followed by the State are described in the "Notes to the Financial Statements" set forth in the 2018 CAFR which is incorporated by specific reference herein.

Government-wide financial statements provide a broad view of the State's operations conforming to private sector accounting standards and provide both short-term and long-term information regarding the State's overall financial position through the fiscal year-end.

In addition to government-wide financial statements, the State prepares fund financial statements comprised of funds and component units with the State's funds divided into three categories — governmental, proprietary, and fiduciary.

Governmental Funds

Governmental Funds finance most Direct State Services, which support the normal operations of State government. The governmental funds financial statements focus on current inflows and outflows of expendable resources and the unexpended balances at the end of a fiscal year that are available for future spending. Governmental fund information helps determine whether or not there was an addition or a reduction in financial resources that can be spent in the near future to finance State programs.

The State's governmental funds are the General Fund, which receives revenues from taxes that are unrestricted by statute, most federal revenue and certain miscellaneous revenue items; the Property Tax Relief Fund, which receives revenues from the New Jersey Gross Income Tax and revenues derived from a tax rate of 0.5% imposed under the Sales and Use Tax both of which are constitutionally dedicated toward property tax relief and reform; the Special Revenue Funds, which are used to account for resources legally restricted to expenditure for specified purposes; and the Capital Projects Funds, which are used to account for financial resources to be used for the acquisition or construction of major State capital facilities. The Capital Projects Funds includes the Special Transportation Fund which is used to account for financial resources for State transportation projects. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash.

Proprietary Funds

Proprietary Funds are used to account for State business-type activities. Since these funds charge fees to external users, they are known as enterprise funds.

Fiduciary Funds

Fiduciary Funds, which include the State's Pension Plans, are used to account for resources held by the State for the benefit of parties outside of State government. Unlike other government funds, fiduciary funds are reported using the accrual basis of accounting.

Component Units

Component Units-Authorities account for operations where the intent of the State is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic measurement of the results of operations is appropriate for capital maintenance, public policy, management control or accountability. Component Units-Colleges and Universities account for the operations of the eleven State colleges and universities including their foundations and associations.

Budget and Appropriation Process

The State operates on a fiscal year beginning July 1 and ending June 30. For example, "Fiscal Year 2020" refers to the State's fiscal year beginning July 1, 2019 and ending June 30, 2020. New Jersey's budget process is comprehensive and inclusive, involving every department and agency in the Executive Branch, the State Legislature, the Judicial Branch, and through a series of public hearings, the citizens of the State.

Pursuant to the Appropriations Clause, no money may be drawn from the State Treasury except for appropriations made by law. In addition, all monies for the support of State government and all other State purposes, as far as can be ascertained or reasonably foreseen, must be provided for in one general appropriations law covering one and the same fiscal year. The State Legislature enacts the Appropriations Act on an annual basis which provides the basic framework for the operation of governmental funds, including the General Fund. No general appropriations law or other law appropriating money for any State purpose shall be enacted if the amount of money appropriated therein, together with all other prior appropriations made for the same fiscal year, exceeds the total amount of revenue on hand and anticipated to be available for such fiscal year. The Appropriations Clause requires that at the time of enactment of the annual Appropriations Act, the Governor certify that there are sufficient resources available to support the line item appropriations in the Appropriations Act.

Budget Requests and Preliminary Projections

The budget process begins in the summer prior to the following fiscal year with preliminary projections of revenues and expenditures, which are the basis for development of budget targets for each branch, department and agency. Individual departments and agencies are required to prepare a funding plan or strategy for operating within the established target in the following fiscal year, which funding plan or strategy includes an analysis of the costs, benefits and priorities of every program.

Budget Director Review

On or before October 1 in each year, each Department, Board, Commission, Office or other Agency of the State must file with the Budget Director a request for appropriation or permission to spend specifying all expenditures proposed to be made by such spending agency during the following fiscal year. The Budget Director then examines each request and determines the necessity or advisability of the appropriation request. On or before December 31 of each year or such other time as the Governor may request, after review and examination, the Budget Director submits the requests, together with his or her findings, comments and recommendations, to the Governor.

Governor's Budget Message

The Governor's budget message (the "Governor's Budget Message") is presented by the Governor during an appearance before a joint session of the State Legislature which, by law, is convened on a date on or before the fourth Tuesday in February in each year, except if such date is changed as provided by law which generally occurs during the first year when a new governor is elected. In accordance with L. 2019, c. 4, the Governor's Budget Message for Fiscal Year 2020 was delivered on March 5, 2019 (the "Governor's Fiscal Year 2020 Budget Message"). The Governor's Budget Message must include the proposed complete financial program of the State government for the next ensuing fiscal year and must set forth in detail each source of anticipated revenue and the purposes of recommended expenditures for each spending agency (*N.J.S.A. 52:27B-20*).

Legislative Review

The financial program included in the Governor's Budget Message is then subject to a process of legislative committee review. As part of such review, testimony is given by a number of parties. The Office of Legislative Services, which is an agency of the State Legislature, generally provides its own estimates of anticipated revenues which may be higher or lower than those included in the Governor's Budget Message, and the State Treasurer generally provides an updated statement of anticipated revenues in May of each year which may increase or decrease the amounts included in the Governor's Budget Message. In addition, various parties may release their own estimates of anticipated revenues and recommended expenditures to the media. After completion of the legislative committee review process, the budget, in the form of an appropriations bill, must be approved by the Senate and Assembly and must be submitted to the Governor for review. The Appropriations Act includes the General Fund, and the Casino Control, Casino Revenue, Gubernatorial Elections, and Property Tax Relief Funds. In addition to anticipated revenues, the Appropriations Act also provides for the appropriation of non-budgeted revenue, including primarily federal funds and other dedicated funds. These "non-budgeted" revenues are excluded from all tables except for the table entitled "EXPENDITURES."

Governor's Line-Item Veto Power

Upon enactment by the Legislature of the Appropriations Act, the Governor may approve the bill, revise the estimate of anticipated revenues contained therein, delete or reduce appropriation items contained in the bill through the exercise of his or her line-item veto power, or veto the bill in its entirety. As with any gubernatorial veto, such action may be reversed by a two-thirds vote of each House of the State Legislature.

Fiscal Controls

The departments maintain legal control at the appropriation line item level and exercise budgetary control by individual appropriations and allocations within annual appropriations to various programs and major expenditure objects. Revisions to the Appropriations Act, reflecting program changes or interdepartmental transfers of an administrative nature, may be effected during the fiscal year with certain Executive and Legislative Branch approvals. Management may amend a department's budget with approval by the Budget Director; provided that under specific conditions, additional approval by the Office of Legislative Services is required. Transfers of appropriations between departments or between line items within a department are authorized pursuant to general provisions of the Appropriations Act.

During the course of the fiscal year, the Governor may take steps to reduce State expenditures if it appears that revenues have fallen below those originally anticipated. Pursuant to various statutes, the Governor may order the Budget Director to set aside a reserve out of each appropriation, and if sufficient revenues are not available by the end of the fiscal year to fund such reserve, the amount reserved lapses back into the General Fund. In addition, the Governor is authorized to prohibit and enjoin and place conditions upon the expenditure of monies in the case of extravagance, waste or mismanagement.

Furthermore, under the State Constitution, no supplemental appropriation may be enacted after adoption of the Appropriations Act except where there are sufficient revenues on hand or anticipated, as certified by the Governor, to meet such appropriation and all prior appropriations for such fiscal year.

State Budget Shutdown

If the Appropriations Act is not enacted prior to the July 1 deadline, under the Appropriations Clause, no moneys can be withdrawn from the State treasury. Accordingly, all non-essential operations of State government must be shut down until such time as the Appropriations Act is passed and approved by the Governor. If a shutdown occurs in a future fiscal year, no moneys, other than general obligation bond debt service and available amounts already held under bond financing documents will be available to make payment on obligations paid from State revenue subject to annual appropriation. See generally "STATE FINANCES – Budget and Appropriation Process" and "LONG-TERM OBLIGATIONS – State Appropriation Obligations".

FINANCIAL RESULTS AND ESTIMATES

Audit Reports

The State Auditor is directed by statute (*N.J.S.A. 52:24-4*) to “examine and post-audit all the accounts, reports, and statements and make independent verifications of all assets, liabilities, revenues, and expenditures” of the State and its agencies. The 2018 CAFR, including the opinion of the State Auditor, has been separately filed with the MSRB, is incorporated by specific reference herein and is deemed a part of this Appendix I. The accounting and reporting policies of the State conform in all material respects to GAAP as applicable to governments.

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Balance Sheets

The comparative balance sheets for the General Fund, the Casino Control Fund, the Casino Revenue Fund, the Gubernatorial Elections Fund and the Property Tax Relief Fund as of June 30, 2018 and 2017 are set forth below:

GENERAL FUND⁽¹⁾ COMPARATIVE BALANCE SHEETS (Audited) (In Millions)

	As of June 30,	
	2018	2017 ⁽²⁾
ASSETS		
Cash and cash equivalents	\$ 87.7	\$ 32.2
Investments	2,240.6	1,145.7
Receivables, net of allowances for uncollectibles		
Federal government	863.2	924.3
Departmental accounts	3,155.0	2,903.3
Loans	46.3	41.4
Other receivables	441.2	582.4
Due from other funds	1,012.2	775.4
Other	18.3	3.7
Total Assets	<u>\$7,864.5</u>	<u>\$6,408.4</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Accounts payable and accruals	\$1,723.0	\$1,390.9
Unearned revenue	168.2	150.6
Due to other funds	284.9	160.8
Refunds payable	142.2	165.1
Other	322.7	303.8
Total Liabilities	<u>2,641.0</u>	<u>\$2,171.2</u>
Deferred Inflows of Resources	<u>506.0</u>	<u>621.7</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$3,147.0</u>	<u>\$2,792.9</u>
Fund Balances		
Restricted	\$ 188.7	\$ 193.2
Committed	3,538.2	2,638.5
Unassigned	990.6	783.8
Total Fund Balances	<u>4,717.5</u>	<u>3,615.5</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$7,864.5</u>	<u>\$6,408.4</u>

(1) The General Fund is used to account for all State revenues not otherwise restricted by statute. The largest part of the total financial operations of the State is accounted for in the General Fund. Most revenues received from taxes, federal sources, and certain miscellaneous revenue items are recorded in the General Fund. The Appropriations Act enacted by the State Legislature provides the basic framework for the operation of the General Fund.

(2) Fund balance was restated to reflect changes due to understatement of liabilities and loans receivable.

See the 2018 CAFR incorporated herein by reference for the notes which are an integral part of these financials statements and for further information concerning the other funds of the State.

**OTHER BUDGETED FUNDS
COMPARATIVE BALANCE SHEETS
AS OF JUNE 30
(Audited)
(In Millions)**

	Casino Control Fund⁽¹⁾		Casino Revenue Fund⁽²⁾		Gubernatorial Elections Fund⁽³⁾		Property Tax Relief Fund⁽⁴⁾	
	2018	2017	2018	2017	2018	2017	2018	2017
ASSETS								
Cash and cash equivalents	\$ 0.1	\$ 0.1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Receivables, net of allowances for uncollectibles								
Department accounts.....	4.0	2.2	19.2	31.2	0.3	0.1	775.0	745.1
Due from other funds.....	4.5	5.7	4.9	16.0	0.1	0.4	12.1	11.3
Total Assets	\$ 8.6	\$ 8.0	\$ 24.1	\$ 47.2	\$ 0.4	\$ 0.5	\$ 787.1	\$ 756.4
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable and accruals	\$ 8.6	\$ 8.0	\$ 10.3	\$ 20.5	\$ —	\$ —	\$ 90.1	\$ 356.5
Due to other funds	—	—	—	—	0.4	—	448.8	154.4
Refunds payable.....	—	—	—	—	—	—	220.3	218.3
Total Liabilities	\$ 8.6	\$ 8.0	\$ 10.3	\$ 20.5	\$ 0.4	\$ —	\$ 759.2	\$ 729.2
Fund Balances								
Restricted	—	—	—	—	—	—	27.9	27.2
Committed	—	—	13.8	26.7	—	0.5	—	—
Total Fund Balances	—	—	13.8	26.7	—	0.5	27.9	27.2
Total Liabilities and Fund Balances	\$ 8.6	\$ 8.0	\$ 24.1	\$ 47.2	\$ 0.4	\$ 0.5	\$ 787.1	\$ 756.4

- (1) The Casino Control Fund is used to account for fees from the issuance and annual renewal of casino licenses. Appropriations are made to fund the operations of the Casino Control Commission and the Division of Gaming Enforcement. The Casino Control Fund was established by *N.J.S.A. 5:12-143*, approved June 2, 1977.
- (2) The Casino Revenue Fund is used to account for the tax on gross revenues generated by the casinos. Gross revenue refers to the total of all sums actually received by a licensee from gaming operations, less the total sums paid out as winnings to patrons. Appropriations from this fund must be used for reductions in property taxes, utility charges and other expenses of eligible senior citizens and disabled residents. The Casino Revenue Fund was established by *N.J.S.A. 5:12-145*, approved June 2, 1977.
- (3) The Gubernatorial Elections Fund is used to account for receipts from the dollar designations on New Jersey Gross Income Tax returns. When indicated by the taxpayer, one dollar of the tax is reserved from Gross Income Tax revenues and credited to the Gubernatorial Elections Fund. These funds are available for appropriation pursuant to The New Jersey Campaign Contributions and Expenditures Reporting Act (*L. 1973, c.83*), as amended. The Gubernatorial Elections Fund was established by the New Jersey Gross Income Tax Act, *N.J.S.A. 54A:9-25.1*, approved July 8, 1976.
- (4) The Property Tax Relief Fund is used to account for revenues from the New Jersey Gross Income Tax and for revenues derived from a tax rate of 0.5% imposed under the Sales and Use Tax that is constitutionally dedicated toward property tax reform. Revenues realized from the Gross Income Tax and derived from a tax rate of 0.5% imposed under the Sales and Use Tax are dedicated by the State Constitution. All receipts from taxes levied pursuant to the New Jersey Gross Income Tax on personal income of individuals, estates, and trusts must be appropriated exclusively for the purpose of reducing or offsetting property taxes. Annual appropriations are made from the Fund, pursuant to formulas established by the State Legislature, to counties, municipalities and school districts. The Property Tax Relief Fund was established by the New Jersey Gross Income Tax Act, *N.J.S.A. 54A:9-25*, approved July 8, 1976.

Changes in Fund Balances

The following table sets forth a Summary of Revenues, Appropriations and Undesignated Fund Balances for the fiscal years ended June 30, 2016 through 2020, covering budgeted funds. The Undesignated Fund Balances are available for appropriation in succeeding fiscal years. There have been positive Undesignated Fund Balances in the General Fund at the end of each year since the State Constitution was adopted in 1947.

Amounts shown for Fiscal Years 2016 through 2018 are actual and final. Amounts shown for Fiscal Year 2019 in the following tables and charts are based upon revised estimates for revenues (which are subject to adjustment pending completion of the annual audit) and includes supplemental appropriations. Amounts shown for Fiscal Year 2020 are estimates as contained in the Fiscal Year 2020 Appropriations Act.

Budgeted State funds include the General Fund, the Property Tax Relief Fund, the Casino Revenue Fund, the Casino Control Fund and the Gubernatorial Elections Fund, but exclude federal funds and other non-budgeted funds. The Appropriations Act also provides for the appropriation of non-budgeted revenue, including primarily federal funds and other dedicated funds to the extent such revenue is received and permits the corresponding increase of appropriation balances from which expenditures can be made. See "STATE FINANCES — Accounting System" above.

Lottery Enterprise Contribution Act—Budgetary Impact

Pursuant to the Lottery Enterprise Contribution Act, L. 2017, c. 98 ("LECA"), the Lottery Enterprise was contributed to certain eligible Pension Plans for a thirty (30) year term. LECA has a neutral budget impact in Fiscal Year 2020. In Fiscal Year 2020, appropriations of State Aid for Education or State Institution Programs which were previously supported by net proceeds of the State Lottery are now funded through appropriations from the General Fund or the Property Tax Relief Fund, as applicable. This is possible because LECA provides for a Special Asset Adjustment to the amount of the annual actuarially recommended contribution to the eligible Pension Plans of \$1,070,451,102 for Fiscal Year 2020, alleviating the need for aggregate appropriations from the General Fund and the Property Tax Relief Fund to the eligible Pension Plans in that same amount. LECA also impacted the distribution of appropriations between the General Fund and the Property Tax Relief Fund. General Provision No. 94 in the Fiscal Year 2020 Appropriations Act allows for the transfer of appropriations between funds to specifically address the impacts of LECA.

For further information regarding LECA, see "STATE FUNDING OF PENSION PLANS – Lottery Enterprise Contribution Act" herein.

General Fund / Property Tax Relief Fund – Structural Imbalance

Under the State Constitution, all revenues derived from the Gross Income Tax and a portion of revenues from the Sales and Use Tax are deposited into the Property Tax Relief Fund ("PTRF") for the support of property tax relief programs. The long-term trend has been for growth in Gross Income Tax collections to out-pace growth in General Fund revenues. This trend was accelerated by L. 2016, c. 57, which: reduced the Sales and Use tax rate; reduced the Estate Tax rate to 0%; and increased the Petroleum Products Gross Receipts Tax (which was subsequently dedicated by constitutional amendment for transportation purposes only). Moreover, under LECA, beginning in Fiscal Year 2018, approximately \$1 billion of Lottery Net Proceeds are shifted from the General Fund to certain eligible Pension Plans each year. Concurrently, all appropriations eligible to be shifted from the General Fund to the constitutionally dedicated PTRF had been exhausted. To provide greater General Fund flexibility beginning in Fiscal Year 2018, \$788.5 million of Energy Tax Receipts ("ETR") (derived from the Sales and Use tax imposed on energy) were shifted into the General Fund (from a previously "off budget" dedicated account), while ETR appropriations to municipalities, which qualify as property tax relief, are appropriated from the PTRF. However, while this accounting shift mitigates the rigidity in the General Fund in the near term, long-term, permanent solutions will be required.

**SUMMARY OF REVENUES, APPROPRIATIONS AND
UNDESIGNATED FUND BALANCES — BUDGETED STATE FUNDS⁽¹⁾⁽²⁾**
(In Millions)

	2020 Estimated	2019 Estimated	2018 Actual ⁽²⁾	2017 Actual	2016 Actual
July 1st Beginning Balances					
General Fund	\$ 1,238.4	\$ 990.6	\$ 715.2	\$ 469.8	\$ 806.4
Surplus Revenue Fund	401.4	—	—	—	—
Property Tax Relief Fund	—	—	2.7	3.3	10.2
Gubernatorial Elections Fund	0.7	—	—	1.1	0.6
Casino Control Fund	—	—	—	0.7	6.0
Casino Revenue Fund	—	—	—	7.5	—
Total Beginning Balances	<u>1,640.5</u>	<u>990.6</u>	<u>717.9</u>	<u>482.4</u>	<u>823.2</u>
Anticipated Revenue					
General Fund	20,865.9	21,252.1	19,713.1	19,154.7	18,553.7
Property Tax Relief Fund	17,333.0	16,728.7	15,806.8	14,700.9	14,069.1
Gubernatorial Elections Fund	0.7	0.7	0.4	0.2	0.4
Casino Control Fund	55.8	49.8	47.8	45.2	39.9
Casino Revenue Fund	261.5	252.0	217.7	218.6	209.4
Total Revenues	<u>38,516.9</u>	<u>38,283.3</u>	<u>35,785.8</u>	<u>34,119.6</u>	<u>32,872.5</u>
Total Resources	<u>\$40,157.4</u>	<u>\$39,273.9</u>	<u>\$36,503.7</u>	<u>\$34,602.0</u>	<u>\$33,695.7</u>
Other Adjustments					
General Fund					
Balances lapsed ⁽³⁾	—	271.2	464.9	788.1	687.0
From (To) Reserved fund balance	(168.8)	(65.5)	4.5	(42.7)	(38.9)
From (To) Property Tax Relief Fund	—	89.3	(34.3)	3.7	34.1
Budget vs GAAP Adjustment	—	—	—	—	24.4
From (To) Surplus Revenue Fund	—	(401.4)	—	—	—
From (To) Casino Revenue Fund	—	20.0	—	—	—
From (To) Gubernatorial Elections Fund	—	—	(13.2)	(6.4)	—
From (To) Casino Control Fund	—	0.2	—	—	—
Surplus Revenue Fund					
From (To) General Fund	—	401.4	—	—	—
Property Tax Relief Fund					
Balances lapsed ⁽³⁾	—	163.9	29.1	134.9	69.2
From (To) General Fund	—	(89.3)	34.3	(3.7)	(34.1)
Gubernatorial Elections Fund					
From (To) General Fund	—	—	13.2	6.4	—
Balances lapsed ⁽³⁾	—	—	6.1	4.6	0.1
Casino Control Fund					
Balances lapsed ⁽³⁾	—	0.2	2.1	2.8	10.0
From/(To) General Fund	—	(0.2)	—	1.6	—
Budget vs GAAP Adjustment	—	—	0.1	—	—
Casino Revenue Fund					
From (To) General Fund	—	(20.0)	—	—	—
Budget vs GAAP Adjustment	—	—	—	(1.1)	—
Balances lapsed ⁽³⁾	—	1.1	1.5	0.2	2.3
Total Other Adjustments	<u>(168.8)</u>	<u>370.9</u>	<u>508.3</u>	<u>888.4</u>	<u>754.1</u>
Total Available	<u>\$39,988.6</u>	<u>\$39,644.8</u>	<u>\$37,012.0</u>	<u>\$35,490.4</u>	<u>\$34,449.8</u>
Appropriations					
General Fund	21,104.3	20,918.1	19,859.6	19,583.4	19,596.9
Property Tax Relief Fund	17,298.5	16,803.3	15,872.9	14,832.7	14,111.1
Gubernatorial Elections Fund	—	—	19.7	12.3	—
Casino Control Fund	55.8	49.8	50.0	50.3	55.2
Casino Revenue Fund	261.5	233.1	219.2	225.2	204.2
Total Appropriations	<u>\$38,720.1</u>	<u>\$38,004.3</u>	<u>\$36,021.4</u>	<u>\$34,703.9</u>	<u>\$33,967.4</u>
June 30th Ending Balances					
General Fund ⁽⁴⁾	831.2	1,238.4	990.6	783.8	469.8
Surplus Revenue Fund	401.4	401.4	—	—	—
Property Tax Relief Fund ⁽⁴⁾	34.5	—	—	2.7	3.3
Gubernatorial Elections Fund	1.4	0.7	—	—	1.1
Casino Control Fund	—	—	—	—	0.7
Casino Revenue Fund	—	—	—	—	7.5
Total Ending Balances⁽⁵⁾⁽⁶⁾	<u>\$ 1,268.5</u>	<u>\$ 1,640.5</u>	<u>\$ 990.6</u>	<u>\$ 786.5</u>	<u>\$ 482.4</u>

(footnotes appear on next page)

- (1) Budgeted State Funds include the General Fund, the Property Tax Relief Fund, the Casino Revenue Fund, the Casino Control Fund and the Gubernatorial Elections Fund. These amounts do not reflect amounts included under the caption "Other Adjustments" in the table entitled "SUMMARY OF REVENUES, APPROPRIATIONS AND UNDESIGNATED FUND BALANCES---BUDGETED STATE FUNDS" above.
- (2) The General Fund opening undesignated fund balance for Fiscal Year 2018 was restated downward by \$68.6 million.
- (3) Upon the end of the fiscal year, any unexpended or unencumbered balance in an appropriation reverts (lapses) to the June 30th ending undesignated fund balance, unless otherwise provided for in the Appropriations Act.
- (4) For more information about the budgetary impact of the Lottery Enterprise contribution, see "FINANCIAL RESULTS AND ESTIMATES – Changes in Fund Balances – *Lottery Enterprise Contribution Act – Budgetary Impact*" above.
- (5) \$65 million and \$168 million of constitutionally dedicated Corporation Business Tax revenues, respectively, were not appropriated in Fiscal Year 2019 or in the Fiscal 2020 Appropriations Act and are transferred to the reserved fund balance until appropriated.
- (6) The ending undesignated fund balance for Fiscal Year 2019 and the opening undesignated fund balance for Fiscal Year 2020 are subject to adjustment pending completion of the Fiscal Year 2019 annual audit. The ending undesignated fund balance for Fiscal Year 2020 may be further revised as a result of changes in spending or anticipated revenues.

New Jersey Demographic Information

New Jersey is the fifth smallest state by land area but the eleventh most populous state according to 2018 Census population estimates. This makes New Jersey the most densely populated state in the nation with an average density of 1,225 persons per square mile. The State is a part of a megalopolis that extends from Washington D.C. in the south to Boston, Massachusetts in the north and includes over one-fifth of the nation's population. Thus, New Jersey is an attractive location for businesses due to its central location and ability to access both regional and world markets.

The following core industry clusters are the center of the State's diverse economy: technology, transportation and logistics, health care, financial services, biopharmaceuticals, and advanced manufacturing. There is also a strong commercial agriculture sector in the rural areas. The "Jersey Shore," along the Atlantic Seaboard, is the focus of the State's tourism sector and includes casino gambling in Atlantic City. The State attracted over 100 million visitors in 2017 and 110 million visitors in 2018.

There were just under 9.0 million persons residing in New Jersey according to the latest population estimates from the U.S. Census Bureau as of July 1, 2018. New Jersey's population has grown an average of 0.2% per year from 2009 to 2018. This is above the average annual growth rate of 0.1% for the neighboring states of New York and Pennsylvania. It is below the national growth rate of 0.7%. New Jersey is an older state with only 31.2% of its population under the age of 25, below the national average of 32.6%. In addition, 15.1% of its population is 65 years or older, which is above the national average of 14.9%.

38.1% of New Jersey residents 25 years of age or older have at least a bachelor's degree. This is fifth highest rate in the nation and above the national average of 30.9%. New Jersey is also a diverse state. At 22.1%, New Jersey has the third highest share of foreign-born residents, behind only California and New York, and above the national average of 13.4%. New Jersey also has the fourth highest percentage of residents that speak a language other than English at home at 31.0%. This ranks behind only California, Texas, and New Mexico and is above the national percentage of 7.3%.

New Jersey's total population grew by 1.7% from 2009 to 2018. However, New Jersey also experienced net domestic out-migration for certain demographic cohorts during this period. Net domestic out-migration was greatest for residents aged 18-24, followed by residents aged 60 and over, according to data from the U.S. Census's American Community Survey. New Jersey's overall population still grew despite net domestic out-migration because natural population growth and foreign in-migration offset the losses from net domestic out-migration during this period.

New Jersey state income tax return data also indicates that the higher-income population grew faster than the overall population from 2009 to 2017 (the most recent year for which data is available). The total number of resident returns grew 6.4% during this time. Growth in the higher-income population was greatest with returns

reporting income between \$500,000 and \$1.0 million growing by 75.6% and returns with income greater than \$1.0 million growing by 74.4%.

For more information, see the 2018 CAFR-Statistical Section, which has been separately filed with the MSRB, and is incorporated by specific reference herein and is deemed a part of this Appendix I.

New Jersey Current Economic Outlook

New Jersey payroll employment increased by an average of 3,300 jobs per month in 2018 for a total gain of 39,400 jobs, compared to an average total gain of 44,100 jobs per year from 2011 to 2017. Job growth has continued into 2019 with employment rising by an average of 4,300 jobs per month after six months. Growth in payroll employment in 2019 has been led by the services sector. Professional and business services has added 12,700 jobs, the leisure and hospitality services sector has added 11,700 jobs, and the education and health services sector has added another 6,200 jobs. Offsetting these job gains are losses in the financial activities sector, down 3,300 jobs, and the trade, transportation, and utilities sector, down 6,300 jobs.

New Jersey's unemployment rate declined by 0.8 percentage points in 2018 to 3.9%. It has fallen by an additional 0.4 percentage points over the first six months of 2019 to 3.5% as of June 2019, putting it below the national rate of 3.7% for the first time since February 2017. The State's labor force participation rate declined by 0.3 percentage points in 2018 to 62.4%. The participation rate has recovered slightly during the first six months of 2019, up 0.1 percentage points to 62.5% in June.

Weakness in New Jersey existing home sales has continued into 2019. Single-family home sales are 1.6% lower than a year ago after six months following flat growth in 2018. Sales of townhomes and condominiums also continues to decline in 2019, down 5.3% through June 2019. The number of townhouse and condominium sales is 1.0% lower than a year ago in 2018. This mirrors continued weakness in the housing market at the national level. Existing home sales across the U.S. were 2.2% lower than a year ago in June 2019, the sixteenth consecutive month that sales have fallen on a year-over-year basis.

The share of New Jersey mortgages in foreclosure fell to 2.0% at the end of the first quarter of 2019, a decline of 1.3 percentage points over the past twelve months. The share of mortgages in foreclosure is now at its lowest level since the end of 2007.

Nominal personal income in New Jersey grew 3.5% in 2018, ahead of Connecticut's 3.1% growth rate. Personal income grew fastest in New York, rising by 4.6%, followed by Pennsylvania, where it grew 3.7%. The steady growth rate in personal income has continued for New Jersey with nominal personal income growing at a 3.2% annual rate in the first quarter of 2019. Although this is below Pennsylvania's 3.5% growth rate for the first quarter of 2019, it is ahead of both New York and Connecticut, which grew 1.7% and 1.5%, respectively, during the same period.

Economic growth in New Jersey accelerated in 2018 with New Jersey real gross domestic product ("GDP") growing 2.0%, just below the 2.1% growth rate of its neighbors – New York and Pennsylvania. Real GDP in New Jersey grew at an average annual rate of 0.7% from 2011 to 2017, below the average annual growth rate of 1.5% for New York and 1.6% for Pennsylvania but ahead of Connecticut's decline of 0.4% over the same period.

Economic growth continues in 2019 with New Jersey real GDP growing at a 1.8% annual rate in the first quarter of 2019. This compares to 3.8% in New York, followed by Pennsylvania at 2.9%, and Connecticut at 2.2% over the same period.

Risk of Climate Events

The State of New Jersey's location on the eastern seaboard of the United States exposes it to a variety of climate risks, such as severe storms and hurricanes, which can damage the State's infrastructure. In addition, much of the State's coastal areas may be vulnerable to sea level rise and other impacts of climate change. These climate events may damage significant portions of the State's infrastructure and may require the State to construct additional

infrastructure. In addition, these climate events may negatively impact the economy of the State. However, the State cannot predict the impact that these climate events may have on its financial condition.

Risk of Delay in Gateway Program

The Gateway Program is a comprehensive passenger rail project designed to improve current passenger rail services, add resiliency and create new capacity along a critical 10-mile section of the Northeast Corridor between Newark, New Jersey and Pennsylvania Station in New York City ("PSNY"). The Gateway Program has two current, active projects: the Portal North Bridge Project and the Hudson Tunnel Project. The Portal North Bridge Project will replace the current, functionally obsolete Portal Bridge – a century-old two-track, railroad swing bridge spanning the Hackensack River between Secaucus and Kearny – with a new two-track, fixed high-level span. The existing Portal Bridge is subject to frequent mechanical issues, which result in major delays for commuters traveling on the Northeast Corridor to Newark and PSNY. The Portal North Bridge Project would eliminate this single point of failure on the Northeast Corridor. The Hudson Tunnel Project includes two components: the construction of a new two-track Hudson River rail tunnel from New Jersey to New York City that will directly serve PSNY; and the rehabilitation of the existing century-old North River Tunnel, which has deteriorated due to age, intensive use, and damage sustained from saltwater exposure during Superstorm Sandy. A closure of just one of the tunnel's two tubes, prior to the construction of the Hudson Tunnel Project, could reduce New Jersey Transit commuter rail train capacity by as much as 75%, which could severely impact the State's economy by making it more difficult for State residents to commute to and from PSNY. A potential disruption in New Jersey Transit commuter rail capacity to PSNY may make the State a less attractive place to live, which potentially could reduce the State's population, local property values and State tax revenues. However, the State cannot predict the impact of a potential disruption in New Jersey Transit commuter rail capacity to New York City may have on its financial condition.

Revenues

Moderate Baseline Revenue Growth Offset by the Loss of Non-Recurring Revenues

The Fiscal Year 2020 Appropriations Act is supported by estimated revenues of \$38.5 billion, an increase of \$234 million above estimated Fiscal Year 2019 levels as of June 30, 2019. Revenue growth between Fiscal Year 2019 and Fiscal Year 2020 is projected at 0.6% overall, with baseline revenue growth of about 3.5% offset by a 2.9% decline attributable to the loss of \$1.1 billion in estimated non-recurring major tax revenues in Fiscal Year 2019.

The combined impact of significant State and federal tax policy changes produced substantial tax revenue growth in Fiscal Year 2019. Total revenues grew from \$35.8 billion in Fiscal Year 2018 to \$38.3 billion in Fiscal Year 2019 as of June 30, 2019, an increase of \$2.5 billion. While \$1.4 billion of that increase is attributable primarily to recurring sources, an estimated \$1.1 billion was due to one-time revenues that would not recur after Fiscal Year 2019. The loss of these estimated non-recurring revenues largely offset moderate baseline revenue growth of approximately \$1.3 billion between Fiscal Year 2019 and Fiscal Year 2020.

The Corporation Business Tax ("CBT") is the revenue source most impacted by non-recurring revenues. The CBT grew by 75% to \$4.05 billion in Fiscal Year 2019, as compared to Fiscal Year 2018, but is estimated to decline by 17.5% to \$3.34 billion in Fiscal Year 2020. The CBT forecast assumes underlying base growth of 4.2%, offset by a 19.0% decline due to the loss of substantial non-recurring revenues noted above. In addition, the forecast anticipates a 2.6% decline resulting from the initial reduction of the temporary CBT surtax, from 2.5% to 1.5%, and from the greater use of New Jersey Economic Development Authority ("NJEDA") tax credits. The CBT surtax phases down over four tax years: a 2.5% surtax in Tax Years 2018 and 2019; a 1.5% surtax in Tax Years 2020 and 2021; and no surtax beginning in Tax Year 2022. For information on the NJEDA tax credit programs, see "FINANCIAL RESULTS AND ESTIMATES – Use of Nonrecurring Revenues and Appropriation Reductions – New Jersey Economic Development Authority Tax Credit Programs."

The Gross Income Tax ("GIT"), the State's largest tax revenue source, is estimated to grow by 3.7% to \$16.49 billion in Fiscal Year 2020. Baseline growth of 4.7% is reduced by 0.6% due to the loss of non-recurring revenues and by another 0.4% due to two tax policy changes. The Earned Income Tax Credit ("EITC") rises to 39% of the federal credit amount, the second step of a three-year increase to 40% of the federal credit, reducing income

tax revenues by an estimated \$30.2 million. The GIT deduction for veterans was also recently doubled from \$3,000 to \$6,000 (*L. 2019, c.146*), with an estimated revenue reduction of \$29.5 million.

Sales and Use Tax revenues are estimated to grow by 3.0% to \$10.24 billion in Fiscal Year 2020. Moderate baseline growth of 1.8% is reduced by 1.0% due to the loss of non-recurring revenue, but is enhanced by 2.2% growth from several on-going tax policy changes. A full year of collections from the taxation of certain online retailers, particularly from electronic marketplaces, resulting from the United States Supreme Court's decision in *South Dakota v. Wayfair, Inc.*, is expected to yield \$190.0 million. Collections from online retailers were delayed in Fiscal Year 2019 and did not produce a full twelve months of revenue due to implementation deferrals authorized under State statute. Also, a full year of taxation of certain transient accommodation transactions is estimated to raise \$15.0 million in Fiscal Year 2020 and the expansion of medical marijuana sales is projected to yield \$15.0 million more than in Fiscal Year 2019 (this source will phase out in three steps by July 1, 2022 under *L. 2019, c.153*).

The following table sets forth actual and estimated revenues for fiscal years ended June 30, 2016 through 2020 for the General Fund, the Property Tax Relief Fund, the Gubernatorial Elections Fund, the Casino Control Fund and the Casino Revenue Fund. The amounts for Fiscal Years 2016 through 2018 are actual and final. The Fiscal Year 2019 estimates are subject to adjustment pending completion of the annual audit. The Fiscal Year 2020 estimates are as presented in the Fiscal Year 2020 Appropriations Act. See "FINANCIAL RESULTS AND ESTIMATES – New Jersey's Current Economic Outlook" above and "APPENDIX I-B – SUMMARY OF CERTAIN STATE TAXES" below.

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REVENUES
(In Millions)

	2020 Estimated	2019 Estimated	2018 Actual	2017 Actual	2016 Actual
General Fund:					
Sales and Use Tax	\$10,242.5	\$ 9,944.0	\$ 9,619.2	\$ 9,448.4	\$ 9,203.3
Sales and Use Tax (ETR moved on budget) ⁽¹⁾	788.5	788.5	788.5	—	—
Less: Property Tax Dedication.....	(815.3)	(792.8)	(750.0)	(722.6)	(690.7)
Net Sales and Use Tax	10,215.7	9,939.7	9,657.7	8,725.8	8,512.6
Corporation Business Taxes.....	3,342.0	4,049.0	2,315.5	2,141.5	2,295.4
Lottery Fund ⁽²⁾	—	—	—	995.6	987.0
Transfer Inheritance Tax ⁽³⁾	420.0	414.0	373.9	354.6	335.9
Insurance Premium Tax	473.0	506.5	591.2	574.8	597.6
Fringe Benefit Recoveries.....	683.7	722.7	731.1	764.1	667.7
Motor Fuels Tax.....	492.0	507.0	512.5	532.9	554.5
Motor Vehicle Fees.....	487.6	448.6	497.7	521.7	473.6
Medicaid Uncompensated Care	483.6	361.3	318.9	354.5	495.7
Realty Transfer Tax	383.5	376.0	376.3	345.5	313.6
Petroleum Products Gross Receipts	1,569.6	1,508.5	1,374.1	862.4	214.8
Less: Petroleum Products Gross Receipts Deposited to TTFA Subaccount in Capital Reserves.....	(801.8)	(885.4)	(823.9)	(330.8)	—
Corporation Business Tax-Banks and Financials.....	242.5	292.0	152.3	200.3	178.2
Cigarette Tax.....	85.9	106.6	142.9	171.0	167.4
Alcoholic Beverage Excise Tax	113.0	111.0	109.5	104.8	105.8
Other	2,675.6	2,794.6	3,383.4	2,836.0	2,653.9
Total General Fund ⁽⁴⁾	20,865.9	21,252.1	19,713.1	19,154.7	18,553.7
Property Tax Relief Fund:					
Gross Income Tax	16,493.3	15,911.5	15,037.9	13,958.1	13,356.0
Plus: Property Tax Dedication	839.7	817.2	768.9	742.8	713.1
Gross Property Tax Relief Fund	17,333.0	16,728.7	15,806.8	14,700.9	14,069.1
Gubernatorial Elections Fund-Taxpayer Designations	0.7	0.7	0.4	0.2	0.4
Casino Control Fund-License Fees, Interest	55.8	49.8	47.8	45.2	39.9
Casino Revenue Fund-8% Gross Revenue Tax, Other Taxes and Fees, Interest.....	261.5	252.0	217.7	218.6	209.4
Total	\$38,516.9	\$38,283.3	\$35,785.8	\$34,119.6	\$32,872.5

⁽¹⁾ Energy Tax Receipts revenue of \$788.5 million was reclassified on budget beginning in Fiscal Year 2018. See "FINANCIAL RESULTS AND ESTIMATES – General Fund / Property Tax Relief Fund – Structural Imbalance" above.

⁽²⁾ For more information about the budgetary impact of the Lottery Enterprise contribution, see "FINANCIAL RESULTS AND ESTIMATES – Changes in Fund Balances –Lottery Enterprise Contribution Act – Budgetary Impact" above.

⁽³⁾ Transfer Inheritance Tax consisted of estate and transfer inheritance taxes in Fiscal Years 2016 through 2018. The Estate Tax rate was reduced to zero on January 1, 2018. For comparative purposes, \$433.8 million, \$394.1 million and \$232.0 million of Estate Taxes were reclassified from the "Transfer Inheritance Tax" line to the "Other" line.

⁽⁴⁾ Excludes Non-Budgeted Revenues which include primarily Federal Funds. Non-Budgeted Revenues are offset by matching appropriations; therefore, these Non-Budgeted Revenues do not affect the General Fund's undesignated fund balance.

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Revenues — Dollar Growth

The following table sets forth actual and estimated incremental dollar growth in revenues for fiscal years ended June 30, 2016 through 2020 for the General Fund, the Property Tax Relief Fund, the Gubernatorial Elections Fund, the Casino Control Fund and the Casino Revenue Fund. The incremental dollar growth in revenues for Fiscal Years 2016 through 2018 are actual and final. The Fiscal Year 2019 estimates are subject to adjustment pending completion of the annual audit. The Fiscal Year 2020 estimates are as presented in the Fiscal Year 2020 Appropriations Act.

REVENUES — DOLLAR GROWTH (In Millions)

	2020 Estimated	2019 Estimated	2018 Actual	2017 Actual	2016 Actual
General Fund:					
Sales and Use Tax	\$298.5	\$ 324.8	\$ 170.8	\$ 245.1	\$ 328.2
Sales and Use Tax (ETR moved on budget) ⁽¹⁾	—	—	788.5	—	—
Less: Property Tax Dedication	(22.5)	(42.8)	(27.4)	(31.9)	(13.5)
Net Sales and Use Tax	276.0	282.0	931.9	213.2	314.7
Corporation Business Taxes	(707.0)	1,733.5	174.0	(153.9)	(359.6)
Lottery Fund ⁽²⁾	—	—	(995.6)	8.6	27.0
Transfer Inheritance Tax ⁽³⁾	6.0	40.1	19.3	18.7	10.1
Insurance Premium Tax	(33.5)	(84.7)	16.4	(22.8)	(45.7)
Fringe Benefit Recoveries	(39.0)	(8.4)	(33.0)	96.4	108.7
Motor Fuels Tax	(15.0)	(5.5)	(20.4)	(21.6)	18.9
Motor Vehicle Fees	39.0	(49.1)	(24.0)	48.1	36.6
Medicaid Uncompensated Care	122.3	42.4	(35.6)	(141.2)	90.9
Realty Transfer Tax	7.5	(0.3)	30.8	31.9	41.4
Petroleum Products Gross Receipts	61.1	134.4	511.7	647.6	(0.3)
Less: Petroleum Products Gross Receipts Deposited to TTFA Subaccount in Capital Reserves	83.6	(61.5)	(493.1)	(330.8)	—
Corporation Business Tax-Banks and Financials	(49.5)	139.7	(48.0)	22.1	51.0
Cigarette Tax	(20.7)	(36.3)	(28.1)	3.6	(17.0)
Alcoholic Beverage Excise Tax	2.0	1.5	4.7	(1.0)	0.3
Other	(119.0)	(588.8)	547.4	182.1	(613.0)
Total General Fund ⁽⁴⁾	(386.2)	1,539.0	558.4	601.0	(336.0)
Property Tax Relief Fund:					
Gross Income Tax	581.8	873.6	1,079.8	602.1	106.0
Plus: Property Tax Dedication	22.5	48.3	26.1	29.7	13.8
Gross Property Tax Relief Fund	604.3	921.9	1,105.9	631.8	119.8
Gubernatorial Elections Fund-Taxpayer Designations	—	0.3	0.2	(0.2)	(0.2)
Casino Control Fund-License Fees, Interest	6.0	2.0	2.6	5.3	(11.6)
Casino Revenue Fund-8% Gross Revenue Tax,	9.5	34.3	(0.9)	9.2	3.2
Other Taxes and Fees, Interest					
Total	\$233.6	\$2,497.5	\$1,666.2	\$1,247.1	\$(224.8)

⁽¹⁾ Energy Tax Receipts revenue of \$788.5 million was reclassified on budget beginning in Fiscal Year 2018. See "FINANCIAL RESULTS AND ESTIMATES – General Fund / Property Tax Relief Fund – Structural Imbalance" above.

⁽²⁾ For more information about the budgetary impact of the Lottery Enterprise contribution, see "FINANCIAL RESULTS AND ESTIMATES – Changes in Fund Balances – Lottery Enterprise Contribution Act – Budgetary Impact" above.

⁽³⁾ Transfer Inheritance Tax consisted of estate and transfer inheritance taxes in Fiscal Years 2016 through 2018. The Estate Tax rate was reduced to zero on January 1, 2018. For comparative purposes, \$433.8 million, \$394.1 million and \$232.0 million of Estate Taxes were reclassified from the "Transfer Inheritance Tax" line to the "Other" line.

⁽⁴⁾ Excludes Non-Budgeted Revenues which include primarily Federal Funds. Non-Budgeted Revenues are offset by matching appropriations; therefore, these Non-Budgeted Revenues do not affect the General Fund's undesignated fund balance.

Revenues — Percentage Growth

The following table sets forth actual and estimated year over year percentage growth in revenues for the fiscal years ended June 30, 2016 through 2020 for the General Fund, the Property Tax Relief Fund, the Gubernatorial Elections Fund, the Casino Control Fund and the Casino Revenue Fund. Year over year percentage growth in revenues for Fiscal Years 2016 through 2018 are actual and final. The Fiscal Year 2019 estimates are subject to adjustment pending completion of the annual audit. The Fiscal Year 2020 estimates are as presented in the Fiscal Year 2020 Appropriations Act.

REVENUES — PERCENTAGE GROWTH

	2020 Estimated	2019 Estimated	2018 Actual	2017 Actual	2016 Actual
General Fund:					
Sales and Use Tax	3.0%	3.4%	1.8%	2.7%	3.7%
Sales and Use Tax (ETR moved on budget) ⁽¹⁾	—	—	—	—	—
Less: Property Tax Dedication	2.8	5.7	3.8	4.6	2.0
Net Sales and Use Tax	2.8	2.9	10.7	2.5	3.8
Corporation Business Taxes	(17.5)	74.9	8.1	(6.7)	(13.5)
Lottery Fund ⁽²⁾	—	—	(100.0)	0.9	2.8
Transfer Inheritance Tax ⁽³⁾	1.4	10.7	5.4	5.6	3.1
Insurance Premium Tax	(6.6)	(14.3)	2.9	(3.8)	(7.1)
Fringe Benefit Recoveries	(5.4)	(1.1)	(4.3)	14.4	19.4
Motor Fuels Tax	(3.0)	(1.1)	(3.8)	(3.9)	3.5
Motor Vehicle Fees	8.7	(9.9)	(4.6)	10.2	8.4
Medicaid Uncompensated Care	33.8	13.3	(10.0)	(28.5)	22.5
Realty Transfer Tax	2.0	(0.1)	8.9	10.2	15.2
Petroleum Products Gross Receipts	4.1	9.8	59.3	301.5	(0.1)
Less: Petroleum Products Gross Receipts Deposited to TTFA Subaccount in Capital Reserves	(9.4)	7.5	149.1	—	—
Corporation Business Tax-Banks and Financials	(17.0)	91.7	(24.0)	12.4	40.1
Cigarette Tax	(19.4)	(25.4)	(16.4)	2.2	(9.2)
Alcoholic Beverage Excise Tax	1.8	1.4	4.5	(0.9)	0.3
Other	(4.3)	(17.4)	19.3	6.9	(18.8)
Total General Fund ⁽⁴⁾	(1.8)	7.8	2.9	3.2	(1.8)
Property Tax Relief Fund:					
Gross Income Tax	3.7	5.8	7.7	4.5	0.8
Plus: Property Tax Dedication	2.8	6.3	3.5	4.2	2.0
Gross Property Tax Relief Fund	3.6	5.8	7.5	4.5	0.9
Gubernatorial Elections Fund-Taxpayer Designations	—	75.0	100.0	(50.0)	(33.3)
Casino Control Fund-License Fees, Interest	12.0	4.2	5.8	13.3	(22.5)
Casino Revenue Fund-8% Gross Revenue Tax, Other Taxes and Fees, Interest	3.8	15.8	(0.4)	4.4	1.6
Total	0.6%	7.0%	4.9%	3.8%	(0.7)%

⁽¹⁾ Energy Tax Receipts revenue of \$788.5 million was reclassified on budget beginning in Fiscal Year 2018. See "FINANCIAL RESULTS AND ESTIMATES – General Fund / Property Tax Relief Fund – Structural Imbalance" above.

⁽²⁾ For more information about the budgetary impact of the Lottery Enterprise contribution, see "FINANCIAL RESULTS AND ESTIMATES – Changes in Fund Balances – Lottery Enterprise Contribution Act – Budgetary Impact" above.

⁽³⁾ Transfer Inheritance Tax consisted of estate and transfer inheritance taxes in Fiscal Years 2016 through 2018. The Estate Tax rate was reduced to zero on January 1, 2018. For comparative purposes, \$433.8 million, \$394.1 million and \$232.0 million of Estate Taxes were reclassified from the "Transfer Inheritance Tax" line to the "Other" line.

⁽⁴⁾ Excludes Non-Budgeted Revenues which include primarily Federal Funds. Non-Budgeted Revenues are offset by matching appropriations; therefore, these Non-Budgeted Revenues do not affect the General Fund's undesignated fund balance.

Revenues — Percent of Total

The following table sets forth actual and estimated revenues as a percent of total revenue for fiscal years ended June 30, 2016 through 2020 for the General Fund, the Property Tax Relief Fund, the Gubernatorial Elections Fund, the Casino Control Fund and the Casino Revenue Fund. Revenues as percent of total for Fiscal Years 2016 through 2018 are actual and final. The Fiscal Year 2019 estimates are subject to adjustment pending completion of the annual audit. The Fiscal Year 2020 estimates are as presented in the Fiscal Year 2020 Appropriations Act.

REVENUES — PERCENT OF TOTAL

	2020 Estimated	2019 Estimated	2018 Actual	2017 Actual	2016 Actual
General Fund:					
Sales and Use Tax	26.6%	26.0%	26.9%	27.7%	28.0%
Sales and Use Tax (ETR moved on budget) ⁽¹⁾	2.0	2.1	2.2	—	—
Less: Property Tax Dedication	(2.1)	(2.1)	(2.1)	(2.1)	(2.1)
Net Sales and Use Tax	26.5	26.0	27.0	25.6	25.9
Corporation Business Taxes	8.7	10.6	6.5	6.3	7.0
Lottery Fund ⁽²⁾	—	—	—	2.9	3.0
Transfer Inheritance Tax ⁽³⁾	1.1	1.1	1.0	1.0	1.0
Insurance Premium Tax	1.2	1.3	1.7	1.7	1.8
Fringe Benefit Recoveries	1.8	1.9	2.0	2.2	2.0
Motor Fuels Tax	1.3	1.3	1.4	1.6	1.7
Motor Vehicle Fees	1.3	1.2	1.4	1.5	1.4
Medicaid Uncompensated Care	1.3	0.9	0.9	1.0	1.5
Realty Transfer Tax	1.0	1.0	1.1	1.0	1.0
Petroleum Products Gross Receipts	4.1	3.9	3.8	2.5	0.7
Less: Petroleum Products Gross Receipts Deposited to TTFA Subaccount in Capital Reserves	(2.1)	(2.3)	(2.3)	(0.9)	—
Corporation Business Tax-Banks and Financials	0.6	0.8	0.4	0.6	0.5
Cigarette Tax	0.2	0.3	0.4	0.5	0.5
Alcoholic Beverage Excise Tax	0.3	0.3	0.3	0.3	0.3
Other	6.9	7.3	9.5	8.4	8.2
Total General Fund ⁽⁴⁾	54.2	55.6	55.1	56.2	56.5
Property Tax Relief Fund:					
Gross Income Tax	42.8	41.6	42.0	40.9	40.6
Plus: Property Tax Dedication	2.2	2.1	2.2	2.2	2.2
Gross Property Tax Relief Fund	45.0%	43.7%	44.2%	43.1%	42.8%
Gubernatorial Elections Fund-Taxpayer Designations	—	—	—	—	—
Casino Control Fund-License Fees, Interest	0.1	0.1	0.1	0.1	0.1
Casino Revenue Fund-8% Gross Revenue Tax, Other Taxes and Fees, Interest	0.7	0.6	0.6	0.6	0.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%

⁽¹⁾ Energy Tax Receipts revenue of \$788.5 million was reclassified on budget beginning in Fiscal Year 2018. See "FINANCIAL RESULTS AND ESTIMATES – General Fund / Property Tax Relief Fund – Structural Imbalance" above.

⁽²⁾ For more information about the budgetary impact of the Lottery Enterprise contribution, see "FINANCIAL RESULTS AND ESTIMATES – Changes in Fund Balances – Lottery Enterprise Contribution Act – Budgetary Impact" above.

⁽³⁾ Transfer Inheritance Tax consisted of estate and transfer inheritance taxes in Fiscal Years 2016 through 2018. The Estate Tax rate was reduced to zero on January 1, 2018. For comparative purposes, \$433.8 million, \$394.1 million and \$232.0 million of Estate Taxes were reclassified from the "Transfer Inheritance Tax" line to the "Other" line.

⁽⁴⁾ Excludes Non-Budgeted Revenues which include primarily Federal Funds. Non-Budgeted Revenues are offset by matching appropriations; therefore, these Non-Budgeted Revenues do not affect the General Fund's undesignated fund balance.

Use of Nonrecurring Revenues and Appropriation Reductions

The State's budget is largely comprised of recurring revenue sources and expenditure obligations, and they may increase or decrease based on economic trends. However, each fiscal year, the Appropriations Act typically includes items of revenue and appropriation reductions that the State does not expect to recur. The State estimates that such measures in the Fiscal Year 2020 Appropriations Act represent 2.6% of total State appropriations, compared to 3.1% in Fiscal Year 2019, 4.0% in Fiscal Year 2018, 1.6% in Fiscal Year 2017 and 2.9% in Fiscal Year 2016. Some examples of these measures in the Fiscal Year 2020 Appropriations Act include the implementation of an asset value optimization program, prior year Medicaid rebate recoveries, and revenues derived from legal settlements.

Potential Impacts on Fiscal Year 2020 Revenues

There are various factors that could result in revenues being significantly higher or lower than as set forth in the Fiscal Year 2020 Appropriations Act.

Legal Settlements

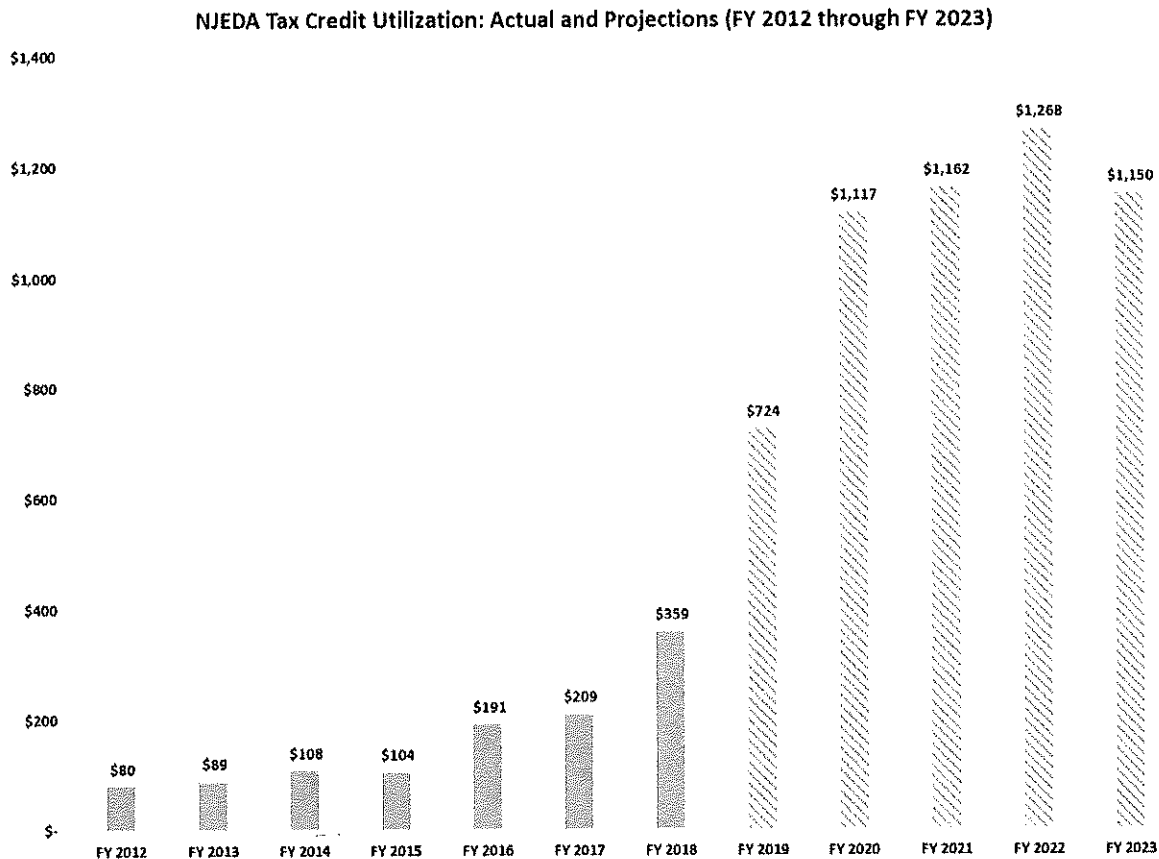
The Fiscal Year 2020 Appropriations Act anticipates \$75 million in revenue from legal settlements. The timing of settlements of cases in litigation is uncertain and the amount anticipated as revenue in Fiscal Year 2020 may not materialize.

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New Jersey Economic Development Authority Tax Credit Programs

The NJEDA administers a number of statutorily-authorized business tax credit programs, the potential obligations for which have grown substantially over time. The business tax credits are issued for specific tax years. However, the recipient of the tax credits may then carry forward the value of the tax credits for up to twenty (20) successive tax periods, depending upon the statutory provisions governing each individual tax credit program. In addition, the recipient may transfer the tax credit for use by a transferee in the tax period for which it was issued (except for the NJEDA's Angel Investor Tax Credit). The original recipient has up to three (3) years after the date of the original issuance to transfer the tax credits to a potential transferee.

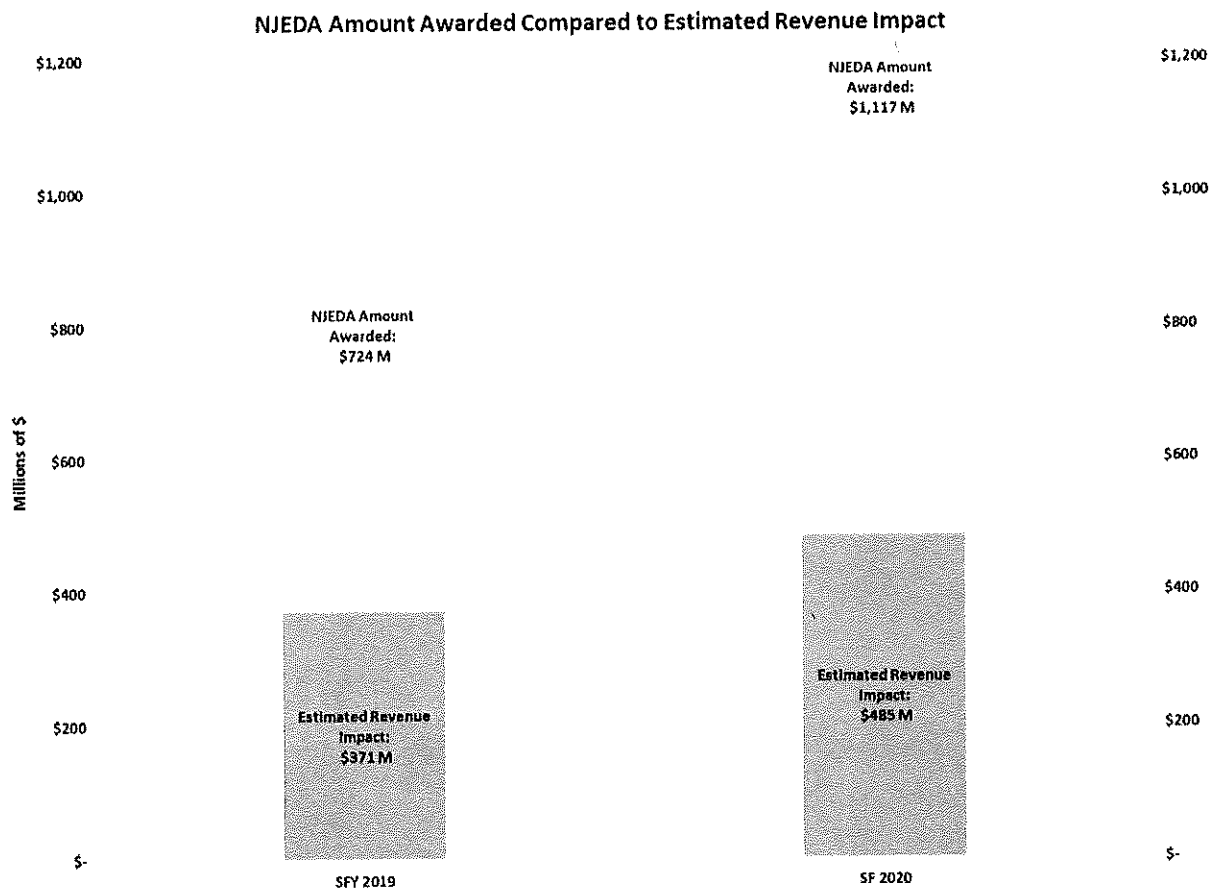
The chart below is based on data provided by the NJEDA as of January 2019, and displays the total amount of business tax credits that have been awarded and thus could potentially be issued in a specific fiscal year.



However, awarding business tax credits for use does not automatically mean that those business tax credits will be issued. Businesses may withdraw their application, a project may be canceled, or the approved amount may be reduced based on performance. Therefore, the above table represents the maximum amount of tax credits that could potentially be issued. Actual utilization of tax credits has historically been less than the amounts initially approved by the NJEDA.

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The chart below displays the total NJEDA amount awarded under all tax credit programs compared to the estimated revenue impact of tax credit utilization based on actual program experience. The Fiscal Year 2019 projection of \$724 million was reduced by 48.8% to \$371 million and the Fiscal Year 2020 projection of \$1,117 million was reduced by 56.6% to \$485 million. These reductions were made by comparing projections at certain points of time relative to final issuance. Furthermore, only the marginal increase from one year to the next was incorporated into the revenue forecast. Therefore, the Fiscal Year 2019 forecast assumes an additional \$112 million in NJEDA credit usage and an additional \$114 million in Fiscal Year 2020. Future years are also likely to incorporate similar reductions from the NJEDA's maximum potential amounts.



As a result of a performance audit of the various NJEDA tax credit programs conducted by the State Comptroller pursuant to Executive Order No. 3, which was released in early January 2019, the Governor announced the creation of a special task force to further investigate deficiencies in the operation of the NJEDA tax credit programs and to make recommendations to strengthen accountability, efficiency and integrity in the State's existing and future tax credit programs.

The most significant NJEDA administered tax credit programs, the Grow New Jersey Assistance Program ("GrowNJ") and the Economic Redevelopment and Growth ("ERG") Grant program expired on July 1, 2019. As of the date hereof, no new legislation has been enacted to replace the expired programs.

Statutory "Poison Pills"

Some statutes contain provisions, commonly referred to as "poison pills," that may automatically bar the State from collecting certain taxes in the event the Legislature acts, or fails to act, in a specified manner. A poison pill may be triggered, for instance, when the Legislature fails to appropriate a designated amount of money to a

particular program. No court has opined on the constitutionality of poison pill provisions. To date, poison pill provisions have had no impact on the annual Appropriations Act.

Appropriations

Appropriations — Fiscal Year 2016 through Fiscal Year 2020

The following table sets forth the composition of annual appropriations in Fiscal Years 2016 through 2020, including (except for Fiscal Year 2020) supplemental appropriations and deappropriations, if any, from the General Fund, the Property Tax Relief Fund, the Gubernatorial Elections Fund, the Casino Control Fund and the Casino Revenue Fund. Should revenues be less than the amount anticipated in the Appropriations Act, the Governor may, pursuant to statutory authority, prevent expenditure under any appropriation. The amounts for Fiscal Years 2016 through 2018 are actual and final. The Fiscal Year 2019 estimates are subject to adjustment pending completion of the annual audit. The Fiscal Year 2020 estimates are as presented in the Fiscal Year 2020 Appropriations Act, as amended by *L. 2019, c. 151* and *L. 2019, c. 152*.

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APPROPRIATIONS FOR BUDGETED STATE FUNDS⁽¹⁾
(\$ Millions)

	For the Fiscal Year Ended June 30,				
	2020 Estimated ⁽²⁾	2019 Estimated ⁽²⁾	2018 Actual ⁽²⁾	2017 Actual ⁽²⁾	2016 Actual
General Fund					
Legislature	\$ 90.2	\$ 90.1	\$ 85.4	\$ 81.2	\$ 77.2
Chief Executive	6.7	6.7	6.7	6.7	6.7
Department of:					
Agriculture	21.5	43.5	64.5	20.0	19.7
Banking and Insurance	64.0	64.0	64.0	64.0	64.0
Children and Families	1,155.9	1,174.5	1,180.0	1,124.2	1,111.4
Community Affairs	133.4	120.4	106.9	96.3	86.2
Corrections	1,009.0	1,049.4	1,037.6	1,021.4	1,045.2
Education	479.1	231.0	322.1	462.3	629.8
Environmental Protection	358.0	426.0	351.5	357.3	353.4
Health	985.3	949.5	919.6	1,280.5	424.5
Human Services	6,218.4	6,230.0	5,989.4	5,342.5	6,359.4
Labor and Workforce Development	169.8	169.9	165.9	165.2	164.5
Law and Public Safety	583.7	646.1	535.3	536.6	500.4
Military and Veterans' Affairs	96.1	96.2	96.7	97.2	97.3
State	1,424.9	1,363.1	1,324.4	1,282.9	1,260.7
Transportation	1,776.6	1,582.0	1,375.6	1,528.7	1,313.6
Treasury	1,091.5	1,353.0	1,066.6	1,028.5	1,127.3
Miscellaneous Commissions	0.8	0.8	0.8	0.8	0.8
Interdepartmental Accounts - Employee					
Benefits and Miscellaneous	4,644.6	4,552.9	4,408.8	4,362.7	4,245.0
Judicial Branch	794.8	769.0	757.8	724.4	709.8
Total, General Fund	<u>\$21,104.3</u>	<u>\$20,918.1</u>	<u>\$19,859.6</u>	<u>\$19,583.4</u>	<u>\$19,596.9</u>
Property Tax Relief Fund					
Department of:					
Agriculture	5.6	5.6	5.6	—	—
Community Affairs	789.7	757.7	742.4	744.9	715.9
Corrections	23.5	22.5	22.5	22.5	22.5
Education	14,245.3	14,070.1	13,028.8	12,944.8	12,243.7
Environmental Protection	8.0	4.0	4.0	2.7	2.7
Health	—	—	—	105.2	—
Human Services	197.7	197.7	186.1	54.4	168.1
Law and Public Safety	3.0	3.0	2.0	2.1	2.0
State	3.7	3.7	3.7	—	—
Transportation	218.5	218.6	217.8	—	—
Treasury	1,758.1	1,475.0	1,614.6	956.1	956.2
Interdepartmental Accounts - Employee					
Benefits and Miscellaneous	45.4	45.4	45.4	—	—
Total, Property Tax Relief Fund	<u>17,298.5</u>	<u>16,803.3</u>	<u>15,872.9</u>	<u>\$14,832.7</u>	<u>\$14,111.1</u>
Gubernatorial Elections Fund					
Department of:					
Law and Public Safety	—	—	19.7	12.3	—
Total, Gubernatorial Elections Fund	<u>—</u>	<u>—</u>	<u>19.7</u>	<u>12.3</u>	<u>—</u>
Casino Control Fund					
Department of:					
Law and Public Safety	48.5	42.5	42.5	42.6	47.0
Treasury	7.3	7.3	7.5	7.7	8.2
Total, Casino Control Fund	<u>55.8</u>	<u>49.8</u>	<u>50.0</u>	<u>50.3</u>	<u>55.2</u>

(table continues on next page)

For the Fiscal Year Ended June 30,					
	2020 Estimated ⁽²⁾	2019 Estimated ⁽²⁾	2018 Actual ⁽²⁾	2017 Actual ⁽²⁾	2016 Actual
Casino Revenue Fund					
Department of:					
Health	0.5	0.5	0.5	0.5	0.5
Human Services	258.7	230.3	216.4	204.9	182.6
Labor and Workforce Development	2.2	2.2	2.2	2.2	2.2
Law and Public Safety	0.1	0.1	0.1	0.1	0.1
Transportation	—	—	—	17.5	18.8
Total, Casino Revenue Fund	261.5	233.1	219.2	225.2	204.2
Total Appropriations	\$38,720.1	\$38,004.3	\$36,021.4	\$34,703.9	\$33,967.4

- (1) These amounts do not reflect amounts included under the caption "Other Adjustments" in the table entitled "SUMMARY OF REVENUES, APPROPRIATIONS AND UNDESIGNATED FUND BALANCES — BUDGETED STATE FUNDS" above.
- (2) The table above reflects the transfer of the Division of Mental Health and Addiction Services, the Office of Program Integrity and Accountability, Trenton, Ancora and Greystone Park Psychiatric Hospitals, Ann Klein Forensic Center and the Special Treatment Unit from the Department of Human Services to the Department of Health in Fiscal Year 2017 pursuant to Reorganization Plan 001-2017. In Fiscal Year 2018, the Division of Mental Health and Addiction Services and the Office of Program Integrity and Accountability were transferred back to the Department of Human Services in accordance with Reorganization Plan 001-2018.

The following table sets forth, by major category, the original and enacted supplemental appropriations for Fiscal Years 2016 through 2018, the adjusted appropriations for Fiscal Year 2019, which is subject to further adjustment pending completion of the annual audit, and the appropriations for Fiscal Year 2020 as contained in the Fiscal Year 2020 Appropriations Act.

SUMMARY OF APPROPRIATIONS BY MAJOR CATEGORY⁽¹⁾
(In Millions)

	Fiscal Year 2020 Estimated	Fiscal Year 2019 Estimated	Fiscal Year 2018 Actual	Fiscal Year 2017 Actual	Fiscal Year 2016 Actual
State Aid	\$17,210.0	\$16,712.5	\$16,618.3	\$14,986.7	\$14,432.6
Grants-in-Aid	11,403.2	11,205.5	10,004.2	10,383.9	10,328.3
Direct State Services	8,059.6	8,034.0	7,640.4	7,410.2	7,277.6
Capital Construction	1,688.6	1,727.8	1,432.1	1,582.2	1,483.1
Debt Service on General Obligation Bonds	358.7	324.5	326.4	340.8	445.8
Total	\$38,720.1	\$38,004.3	\$36,021.4	\$34,703.9	\$33,967.4

- (1) Adjusted appropriations for Fiscal Year 2019 reflect the addition of supplemental appropriations of \$675.6 million. Lapses in appropriations are not reflected in the table above.

Total Fiscal Year 2020 appropriations increased by \$715.8 million as compared to total Fiscal Year 2019 appropriations. Fiscal Year 2020 appropriations for State Aid increased by \$497.5 million mainly as a result of increased funding for PreK-12 school aid and increased contributions to the Teachers' Pension and Annuity Fund. The \$197.7 million increase in Grants-in-Aid in Fiscal Year 2020 is largely comprised of increases in bus and railroad subsidies.

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The following tables set forth appropriations by department and by major category for Fiscal Year 2020 and adjusted appropriations by department and major category for Fiscal Year 2019.

APPROPRIATIONS FOR BUDGETED STATE FUNDS⁽¹⁾
FOR THE FISCAL YEAR ENDING JUNE 30, 2020
(\$ Millions)

Government Branch	Direct State Services	Grants-in-Aid	State Aid	Capital Construction	Debt Service	Total
Chief Executive.....	\$ 6.7	\$ —	\$ —	\$ —	\$ —	\$ 6.7
Agriculture.....	6.5	15.0	5.6	—	—	27.1
Banking and Insurance.....	64.0	—	—	—	—	64.0
Children and Families.....	292.9	863.0	—	—	—	1,155.9
Community Affairs.....	46.1	85.1	791.9	—	—	923.1
Corrections.....	902.7	106.3	23.5	—	—	1,032.5
Education.....	83.2	6.3	14,634.9	—	—	14,724.4
Environmental Protection.....	240.8	2.0	13.3	67.3	42.6	366.0
Health.....	372.4	613.4	—	—	—	985.8
Human Services.....	347.6	5,941.4	385.8	—	—	6,674.8
Labor and Workforce Development.....	98.5	73.5	—	—	—	172.0
Law and Public Safety.....	613.9	18.4	3.0	—	—	635.3
Military and Veterans' Affairs.....	93.4	2.7	—	—	—	96.1
State.....	43.8	1,369.8	15.0	—	—	1,428.6
Transportation.....	44.8	457.5	18.5	1,474.3	—	1,995.1
Treasury.....	481.4	740.9	1,318.5	—	316.1	2,856.9
Miscellaneous Commissions.....	0.8	—	—	—	—	0.8
Interdepartmental.....	3,435.1	1,107.9	—	147.0	—	4,690.0
Subtotal.....	7,174.6	11,403.2	17,210.0	1,688.6	358.7	37,835.1
Legislature.....	90.2					90.2
Judiciary.....	794.8					794.8
Grand Total.....	\$8,059.6	\$11,403.2	\$17,210.0	\$1,688.6	\$358.7	\$38,720.1

⁽¹⁾ The appropriations are as contained in the Fiscal Year 2020 Appropriations Act.

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**ADJUSTED APPROPRIATIONS FOR BUDGETED STATE FUNDS⁽¹⁾
FOR THE FISCAL YEAR ENDING JUNE 30, 2019**

Government Branch	Direct State Services	Grants-in-Aid	State Aid	Capital Construction	Debt Service	Total
Chief Executive.....	\$ 6.7	\$ —	\$ —	\$ —	\$ —	\$ 6.7
Agriculture.....	8.1	11.8	5.6	23.6	—	49.1
Banking and Insurance.....	64.0	—	—	—	—	64.0
Children and Families.....	292.9	881.6	—	—	—	1,174.5
Community Affairs.....	43.5	72.6	762.0	—	—	878.1
Corrections.....	942.9	106.5	22.5	—	—	1,071.9
Education.....	93.1	6.2	14,201.8	—	—	14,301.1
Environmental Protection.....	216.9	4.5	9.3	156.7	42.6	430.0
Health.....	357.0	593.0	—	—	—	950.0
Human Services.....	360.4	5,924.9	372.7	—	—	6,658.0
Labor and Workforce Development....	97.6	74.5	—	—	—	172.1
Law and Public Safety.....	670.4	18.3	3.0	—	—	691.7
Military and Veterans' Affairs.....	93.5	2.7	—	—	—	96.2
State.....	33.4	1,318.5	14.9	—	—	1,366.8
Transportation.....	125.4	307.4	18.6	1,349.2	—	1,800.6
Treasury.....	521.3	730.0	1,302.1	—	281.9	2,835.3
Miscellaneous Commissions.....	0.8	—	—	—	—	0.8
Interdepartmental.....	3,247.0	1,153.0	—	198.3	—	4,598.3
Subtotal.....	7,174.9	11,205.5	16,712.5	1,727.8	324.5	37,145.2
Legislature.....	90.1					90.1
Judiciary.....	769.0					769.0
Grand Total.....	\$8,034.0	\$11,205.5	\$16,712.5	\$1,727.8	\$324.5	\$38,004.3

⁽¹⁾ Adjusted appropriations for Fiscal Year 2019 reflect the addition of supplemental appropriations of \$675.6 million. Lapses in appropriations are not reflected in the table above.

Programs Funded Under Appropriations in Fiscal Year 2020

Of the \$38,720.1 million appropriated for Fiscal Year 2020 from the General Fund, the Property Tax Relief Fund, the Casino Control Fund, the Casino Revenue Fund and the Gubernatorial Elections Fund, \$17,210 million (44.45%) is appropriated for State Aid, \$11,403.2 million (29.45%) is appropriated for Grants-in-Aid, \$8,059.6 million (20.82%) is appropriated for Direct State Services, \$1,688.6 million (4.36%) is appropriated for Capital Construction and \$358.7 million (.93%) is appropriated for Debt Service on State General Obligation Bonds.

In Fiscal Year 2020, \$2,696.5 million is appropriated to the Pension Plans from State funds. This appropriation does not include the impact of the Lottery Enterprise contribution or anticipated supplemental appropriations. For more information on the fiscal impact of the Lottery Enterprise contribution on the Teachers' Pension and Annuity Fund ("TPAF"), the Public Employees' Retirement System ("PERS") and Police and Firemen's Retirement System ("PFRS"), see "STATE PENSION PLANS - Lottery Enterprise Contribution Act." For more information on anticipated supplemental appropriations to the Pension Plans, see "STATE FUNDING OF PENSION PLANS – GASB Statements No. 67 and 68" below.

State Aid

State Aid is the largest portion of Fiscal Year 2020 appropriations. These consist of payments to, or on behalf of, local government entities including counties, municipalities and school districts, to assist them in carrying out their local responsibilities.

The largest State Aid appropriation, in the amount of \$14,634.8 million, supports local preschool, elementary and secondary education programs. Of this amount, \$9,483.4 million in formula aid for PreK-12 education, including School Choice Aid, will be distributed. Aid is determined using the school funding formula, as modified by L. 2018, c. 67, in Fiscal Year 2020. Under the amended formula, districts identified as underfunded

based on the difference between uncapped aid and their Fiscal Year 2019 aid are receiving a prorated increase in funding. Across the impacted districts, an additional \$281.2 million is provided in the Appropriations Act. Also under this amended funding formula, districts identified as overfunded realized a reduction in aid, as set forth in the law's reduction schedule. Across the impacted districts, aid is reduced by \$90.2 million. Both actions combined resulted in a net \$191.0 million increase in funding. The PreK-12 funding total includes \$20 million, which will provide additional funding to districts to develop or expand preschool programs and an additional \$5 million to help vulnerable districts cover the cost of after-school, before-school and summer "wrap around" child care. Additionally, the Fiscal Year 2020 appropriation supports \$250 million in Extraordinary Special Education Aid for the support of high-cost special education students. The methodologies used to calculate aid are in line with the statutory funding formula, and the appropriated amounts continue the practice of supporting one month of prior year payments, while shifting the last month of current year payments to the following fiscal year. In addition to formula aid for PreK-12 education, the Fiscal Year 2020 Appropriations Act appropriates \$1,099.5 million for debt service on School Facilities Construction Bonds issued by the NJEDA, and \$100.5 million for School Construction Debt Service Aid to school districts. Also, \$3,463.8 million is appropriated on behalf of school districts as the employers' share of the Social Security and teachers' pensions and benefits programs, including debt service on pension obligation bonds.

Appropriations for the Department of the Treasury total \$1,318.5 million in State Aid for Fiscal Year 2020. Energy Tax Receipts Property Tax Relief Aid is appropriated in the amount of \$788.5 million which was previously funded off-budget. Combined with Consolidated Municipal Property Tax Relief Aid, the two programs provide the majority of State Aid to municipalities. Other principal programs funded by these appropriations are aid to county colleges (\$200.5 million) and the cost of property tax deductions paid to municipalities for seniors, citizens with disabilities, and veterans (\$51.7 million). Also, \$222.4 million is appropriated on behalf of local governments to fund a portion of the employers' share of certain police and firemen's pensions and benefits programs, including debt service on pension obligation bonds.

Appropriations to the Department of Community Affairs total \$791.9 million in State Aid for Fiscal Year 2020. Consolidated Municipal Property Tax Relief Aid is appropriated in the amount of \$646.7 million. These appropriations also include \$114.6 million for the Transitional Aid to Localities program. Under this program, aid is awarded through a competitive process and requires recipient local units to submit to additional State oversight, with the goal of reducing reliance on this aid in the future.

Appropriations for the Department of Human Services total \$385.8 million in State Aid for Fiscal Year 2020. The principal programs funded by these appropriations are \$273.4 million for various income maintenance programs for the economically disadvantaged, and \$105.2 million that funds the cost of patients in county psychiatric hospitals.

Grants-in-Aid

The second largest portion of the appropriations in Fiscal Year 2020 is for Grants-in-Aid. These represent payments to individuals or public or private agencies for benefits to which a recipient is entitled by law or for the provision of services on behalf of the State. The amount appropriated in Fiscal Year 2020 for Grants-in-Aid is \$11,403.2 million.

\$5,941.4 million is appropriated for programs administered by the Department of Human Services. Of that amount, \$4,311 million is for medical services provided under the NJ FamilyCare program, \$869.2 million is for community programs for individuals with developmental disabilities, \$391.4 million is for community programs for individuals with mental illness, and \$211.8 million is for assistance programs for the economically disadvantaged and homeless.

\$863 million is appropriated for programs administered by the Department of Children and Families. Of that amount, \$436.3 million is for child protective and permanency services, \$365.6 million is for children's system of care services, and \$61 million is for community programs intended to prevent child abuse and neglect.

\$758.1 million is appropriated for State colleges and universities. Other higher education appropriations are \$691.4 million for various grant programs including \$533.1 million for student financial assistance and \$68.6 million for debt service on the Higher Education Capital Improvement Fund Program. In addition, \$966.6 million is appropriated for fringe benefit costs of employees of State higher education institutions and University Hospital.

\$740.9 million is appropriated for the Department of the Treasury. Included in the appropriation is \$219.7 million for the Senior and Disabled Citizens' Property Tax Freeze, which reimburses eligible senior and disabled homeowners earning up to \$89,013, pursuant to statutory eligibility requirements, for increases in property taxes paid compared to their first year of program eligibility. Also included in this amount is \$282.6 million for the Homestead Benefit Program which will provide credits directly on local property tax bills for eligible homeowners. The Fiscal Year 2020 appropriation reflects one-half of the benefit amount for Tax Year 2016 and Tax Year 2017, following the practice established in Fiscal Year 2018. The appropriation for the Department of the Treasury also includes \$63.1 million for energy assistance programs in the Board of Public Utilities. There is no appropriation in Fiscal Year 2020 for BEIP grants due to legislation that allowed businesses to convert their incentives into tax credits. This legislation reduced the BEIP liability as businesses partake in the tax credit conversion option. See Note 11 in the 2018 CAFR for a discussion of long-term obligations concerning BEIP grants.

\$613.4 million is appropriated for programs administered by the Department of Health. Of that amount, \$170.5 million is appropriated for various family health services programs, including \$115.3 million for the Early Childhood Intervention Program. In addition, \$242 million is appropriated to fund Graduate Medical Education to support the costs of training residents and interns at New Jersey hospitals, and \$62.6 million is appropriated to support a portion of the Hospital Delivery System Reform Incentive Payments program.

\$457.5 million is appropriated to New Jersey Transit, an increase of \$150.0 million over the prior fiscal year. A portion of the increase replaced diversions of \$50.0 million from capital reserves and \$25.0 million from the New Jersey Turnpike.

Other programs funded by Grants-in-Aid include but are not limited to parole programs and payments to county penal facilities to house State inmates.

Direct State Services

The third largest portion of the appropriations in Fiscal Year 2020 is to Direct State Services, which supports the operation of the State government's departments, the Governor's Office, several commissions, the State Legislature and the Judiciary. In Fiscal Year 2020, appropriations for Direct State Services aggregate to \$8,059.6 million. Some of the major appropriations for Direct State Services during Fiscal Year 2020 are described below.

\$2,880.3 million is appropriated in the Interdepartmental Accounts for fringe benefits for active and retired State employees, including health benefits (\$1,163.6 million), pensions and non-contributory insurance (\$1,137.8 million), employer taxes (\$384.3 million), and a portion of the debt service on State Pension Funding bonds (\$194.5 million) issued by the NJEDA. In addition, \$158.8 million is appropriated in Fiscal Year 2020 for Salary Increases and Other Benefits for eligible Executive and Judicial Branch employees.

\$902.7 million is appropriated for the Department of Corrections (including the State Parole Board) and \$613.9 million is appropriated for the Department of Law and Public Safety (including the Juvenile Justice Commission). Among programs funded by these appropriations are the administration of the State's correctional facilities and parole activities, and the investigative and enforcement activities of the State Police.

\$372.4 million is appropriated for programs administered by the Department of Health. Of that amount, \$240.6 million is appropriated for the operation of four psychiatric institutions.

\$347.6 million is appropriated for programs administered by the Department of Human Services. Of that amount, \$112.4 million is appropriated for programs for individuals with mental illness and to provide addiction services, and \$96.2 million is appropriated for programs for individuals with developmental disabilities, including \$82.3 million for the operation of five developmental centers.

Other departments funded by Direct State Services include but are not limited to Children and Families for various children's services programs; Environmental Protection for the protection of air, land, water, forest, wildlife and shellfish resources and for the provision of outdoor recreational facilities; Labor and Workforce Development for the administration of programs for workers compensation, unemployment, temporary disability insurance, workforce development and health safety inspection; and Transportation for the administration, maintenance and improvement of the State highway system and winter operations.

Capital Construction

The Fiscal Year 2020 Appropriations Act includes appropriations of \$1,688.6 million for capital construction pay-as-you-go and debt service on bonds issued to fund capital construction. This amount includes \$1,471.8 million for debt service on New Jersey Transportation Trust Fund Authority bonds, and \$97.7 million for debt service on bonds issued for open space and farmland preservation that is credited to the Garden State Preservation Trust Fund Account of the General Fund.

All appropriations for such capital projects were subject to the review of the New Jersey Commission on Capital Budgeting and Planning (the "Commission") which voted to recommend such funding at its meeting on February 13, 2019. The Commission is charged with the preparation of the State's seven-year Capital Improvement Plan. The Capital Improvement Plan is a detailed account of capital construction projects requested by State departments, agencies and institutions of higher education for the next three fiscal years and forecasts as to the requirements for capital projects for the four fiscal years following. The Capital Improvement Plan includes the Commission's recommendations as to the priority of such capital projects and the means of funding them. The Capital Improvement Plan is also required to include a report on the State's overall debt. This debt report includes information on the outstanding general obligation debt and debt service costs for the prior fiscal year, the current fiscal year, and the estimated amount for the subsequent five fiscal years. The report also provides similar information on capital leases and installment obligations. *L. 2009, c. 304*, enacted in January 2010, requires that the debt report also include data on other State liabilities as reported in the CAFR, as well as the unfunded actuarial accrued liability for pension plans and the actuarial accrued liability for other post-employment medical benefits. The debt report is not an audited report.

For Fiscal Year 2020, requests for Capital Construction funding were substantially higher than the amount recommended by the Commission. The appropriations for Capital Construction contained in the Fiscal Year 2020 Appropriations Act are largely based on the recommendations of the Commission. There can be no assurance that the amounts ultimately appropriated are sufficient to maintain or improve the State's capital facilities and infrastructure assets, or that such capital funding requests will not be substantially greater in future years.

Transportation Capital Program

L. 2016, c. 56, provides for an eight (8) year, \$16 billion Transportation Capital Program between Fiscal Year 2017 and Fiscal Year 2024. The Fiscal Year 2020 Appropriations Act includes a \$2 billion Transportation Capital Program for the New Jersey Department of Transportation, New Jersey Transit Corporation and local governments.

Debt Service on General Obligation Bonds and State Appropriation Obligations

The total Fiscal Year 2020 appropriation for debt service on General Obligation Bonds and State Appropriation Obligations is \$4,145.6 million. Of this amount, \$358.7 million represents principal and interest payments for General Obligation Bonds.

The Fiscal Year 2020 Appropriations Act includes appropriations in the aggregate amount of \$3,786.9 million for debt service on State Appropriation Obligations. Such appropriations are contained within the multiple functional categories, including State Aid, Grants-in-Aid, Direct State Services and Capital Construction. Appropriated debt service differs from the amounts shown in the tables entitled "SUMMARY OF LONG-TERM OBLIGATIONS AS OF JUNE 30, 2019" and "ESTIMATED FUTURE DEBT SERVICE ON LONG-TERM OBLIGATIONS AS OF JUNE 30, 2019" due to various budgetary adjustments.

Factors That May Affect Fiscal Year 2020 Appropriations

Fiscal Year 2020 appropriations are based on an estimate of various costs. There are various factors that could result in expenditures being significantly higher or lower than current forecasts.

Executive Order 73

The Governor issued Executive Order No. 73 ("EO 73") on June 30, 2019, following enactment of the Fiscal Year 2020 Appropriations Act. EO 73 directs the Budget Director to place items of appropriation into reserve, in accordance with *N.J.S.A. 52:27B-26*, in an effort to maintain a fund balance, inclusive of amounts credited to the Special Revenue Fund, of \$1.276 billion. Based on EO 73, \$235 million was placed into reserve representing the projected value of "at-risk" appropriations, or unachievable savings and under-appropriated appropriations included in the Fiscal Year 2020 Appropriations Act. The criteria used to determine the items to place into reserve was set forth in EO 73, which included the following: the amount of the item of appropriation, its intended purpose, recipients, and intended beneficiaries; the likely statewide or localized impact of the item; the history of State support for the item; the timing during the fiscal year of any payment(s) in support of the item; the ability to delay payment until later in the fiscal year while monitoring overall budget performance; and such other factors as the Budget Director determines. The State Treasurer is directed to periodically notify the Governor of the status of the fund balance, and if amounts in excess of the targeted fund balance of \$1.276 billion are anticipated to be available for expenditure, the Budget Director may release items of appropriation from reserve.

Cybersecurity

The New Jersey Office of Information Technology ("NJOIT"), as the State's centralized infrastructure technology provider, has put in place multiple measures to minimize cyber threats, which include working in conjunction with the New Jersey Office of Homeland Security and Preparedness' cybersecurity division. These measures are recognized as industry-leading modern cyber protection mechanisms and serve to reduce the risk of successful cyber attacks upon the State's information technology assets. However, despite these measures, it is recognized in the cybersecurity industry that no amount of preventative countermeasures and security features can successfully prevent 100% of all cyber attacks. In addition, the State has purchased cyber breach insurance that covers professional services necessary to respond to a cyber breach.

Health Benefits

Fiscal Year 2020 appropriations for active health benefits and post-retirement medical benefits assume \$800 million in savings from planned reforms. The State has secured approximately \$475 million of these savings to date through re-negotiation of Medicare Advantage and third-party administrator contract costs for certain services, adoption of a Medicare Advantage plan for school employee retirees, shifting laboratory services in-network, implementing a new preferred provider organization ("PPO") plan through collective bargaining, realization of trend savings from the implementation of prior reforms and completion of a dependent eligibility verification audit. The State is seeking to secure the remaining \$325 million of planned savings through procurement of new pharmacy benefit manager and medical service contracts and additional audits, and the successful completion of negotiations with certain collective bargaining units.

The Governor has also established a State Health Benefits Quality and Value Task Force (the "Task Force") comprised of health policy experts and key stakeholders. The Task Force identified near-term opportunities for reform, such as best practices, cost savings and plan design opportunities. The Task Force will also explore long-term and innovative reforms for the broader health benefits system. The implementation of any recommendations made by the Task Force will require approval by the Plan Design Committees or legislation.

Pensions

In Fiscal Year 2020, the State is planning to contribute \$2.737 billion to the Pension Plans which when added to anticipated net lottery proceeds of \$1.070 billion will result in total funding of the Pension Plans of \$3.807 billion or 70% of the actuarially required contribution. This includes \$40 million of anticipated supplemental

appropriations, of which \$25 million will be provided per *L. 2019, c. 155* and \$15 million will be provided through anticipated supplemental appropriations from separate omnibus legislation to be enacted. Supplemental appropriations are required because the Lottery Contribution "Special Asset Adjustment" (defined below) is statutorily set at a fixed amount per the Lottery Enterprise Contribution Act, *L. 2017, c. 98* ("LECA").

Other Factors

In recent years, the need for the Tort Claims Liability Fund and the Medical Malpractice Self-Insurance Fund for Rutgers, The State University of New Jersey, Rowan University and University Hospital has exceeded originally appropriated levels. In Fiscal Year 2020, medical costs for NJ FamilyCare and for State employee health care costs could fluctuate based on actual utilization rates and varying prescription drug prices and rebates. The State contracts with managed care organizations ("MCOs") to provide services to most NJ FamilyCare clients at an annual State cost of approximately \$2.8 billion, which includes the cost of the home and community-based services portion of managed long term services and supports. In addition, NJ FamilyCare resources assume recoveries from fraud, national settlements, pharmaceutical rebates, and other sources that have been historically difficult to predict. Projected costs in these areas are closely monitored and constantly updated.

Residential placement costs for clients with developmental disabilities and mental health issues could fluctuate based on the number of clients needing emergency placements, which could require supplemental funding in Fiscal Year 2020. Projected costs in this area are closely monitored and constantly updated.

Contracts for various Executive Branch employees and Judicial Branch employees are in various stages of negotiations. For more information, see "STATE EMPLOYEES – Contract Status."

A base allocation of \$10.3 million for winter operations is included in the Fiscal Year 2020 Appropriations Act. The Budget Director is authorized to provide supplemental appropriations for costs in excess of the base. Between Fiscal Years 2016 and 2019, these annual supplemental appropriations have averaged approximately \$60.7 million.

In order to partially accommodate the increase in formula aid provided to school districts that were identified as underfunded per the modified school funding formula, \$90.2 million was reduced from the appropriation to school districts considered overfunded. The reduction in funding may lead to fiscal distress in these school districts which could require additional Emergency Aid funding in order to fully support Fiscal Year 2020 needs. However, the Fiscal Year 2020 Appropriations Act limits the reduction to a district's aid to 13 percent of the difference between the School Funding Reform Act's uncapped aid calculation and the district's Fiscal Year 2019 aid amount. The Fiscal Year 2020 Appropriations Act is inclusive of \$20 million for Emergency Aid, although more could be provided via supplemental appropriations.

The Fiscal Year 2020 Appropriations Act reduced the appropriations for the NJ FamilyCare program by \$25 million relating to a statutory change regarding emergency room reimbursement rates. It is currently unclear whether these savings will be achieved in full. The State is currently calculating potential savings. An additional \$30 million reduction in Fiscal Year 2020 appropriations results from a change in the tax on non-Medicare nursing home patient days. These savings are not able to be substantiated. In addition, the Fiscal Year 2020 Appropriations Act added \$14 million in funding associated with an expansion of FamilyCare benefits for women who recently gave birth. If this expansion receives approval from the federal government and is eligible for federal matching funds, then this funding increase will be sufficient. If the State fails to secure federal approval, then the \$14 million will likely be insufficient to support the full cost of the program expansion. These changes could potentially result in the need for supplemental appropriations throughout the course of Fiscal Year 2020. Supplemental funding is subject to trend changes in program enrollments, which are monitored closely throughout the year.

The Fiscal Year 2020 Appropriations Act reduced the appropriations for the Department of Corrections in the aggregate amount of \$45 million. This reduction assumes savings will be achieved via institutional restructuring and other operational savings. It is likely that the full savings will not be realized by the end of the fiscal year and a supplemental appropriation will be required.

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Following enactment of the annual appropriations act, the State closely monitors revenues and expenditures, comparing actual results to projections. Such monitoring has identified where actual expenditures and commitments in various items of appropriation have been less than originally anticipated. Though the factors above could require certain supplemental appropriations in Fiscal Year 2020, identified budget savings have offset fully or substantially the need for supplemental appropriations in prior fiscal years. In the past, factors resulting in such budget savings have included, but have not been limited to: attrition of the State workforce; trend changes in the marketplace; and shifts in demographics and service beneficiaries' utilization rates. Consistent with past experience, it is likely that certain appropriations will exceed actual expenditures and commitments by the close of Fiscal Year 2020, allowing for flexibility to either fully or substantially address the need for other appropriations that arise through the course of the fiscal year, or to add to the undesignated fund balance. See also "Executive Order 73" above.

State Unemployment Insurance Trust Fund

In Fiscal Year 2018, the Unemployment Insurance Trust Fund (the "Trust Fund"), which provides funding for unemployment benefits in the State, received approximately \$2.1 billion in contributions from employers and workers while paying out approximately \$2.0 billion in regular, annual State unemployment benefits (excluding benefits paid entirely by the federal government) on a cash basis. In Fiscal Year 2019, contributions from employers and workers were approximately \$2.0 billion, while regular State unemployment benefits were \$1.9 billion. As of June 30, 2019, the State's trust fund balance, on a cash basis, was approximately \$2.8 billion.

Under State law, the State unemployment tax rate charged to employers during a fiscal year is determined by State statutory formula based on the status of the Trust Fund in relation to total taxable wages as of March 31st of the preceding fiscal year. For Fiscal Year 2020, the statutorily calculated employer tax rate remains the same as Fiscal Year 2019. The minimal base Federal Unemployment Tax Act ("FUTA") rate did not change and remains at 0.6%. The employee State unemployment rate did not change and remains at 0.38%.

Pursuant to Article VIII, section 2, paragraph 8 of the State Constitution, all contributions collected by the State from any employer or employee for the Trust Fund are dedicated solely to the purpose of providing and administering unemployment benefits.

Federal Aid

Federal Aid Receipts

In general, federal aid receipts in the General Fund and Special Transportation Fund of the State do not have a material impact on the financial condition of the General Fund of the State because federal aid receipts are required to be applied to specific designated expenditures, and the amount of federal aid receipts matches the amount of such expenditures. In some circumstances, federal aid receipts do impact the General Fund because they offset expenditures that the State would otherwise be required to make. In addition, with respect to many of the programs pursuant to which the State receives federal aid, the State is subject to audits of the expenditures to ensure that the State complied with the program requirements. In instances in which the State makes expenditures in violation of program requirements, the State may be obligated to repay the federal government the amounts of such expenditures and other associated amounts.

Actual federal aid receipts in the General Fund and Special Transportation Fund for Fiscal Years 2016 through 2018, which are non-budgeted revenues, amounted to \$14,216.8 million, \$14,650.3 million and \$14,408.3 million, respectively. Federal receipts in the General Fund and the Special Transportation Fund for Fiscal Year 2019 and for Fiscal Year 2020 are estimated to be \$15,935.2 million and \$16,221.1 million respectively. Such federal aid receipts for Fiscal Year 2020 are composed of \$9,920.1 million for health related family programs under Titles XIX and XXI, \$1,254.1 million for other human services, \$0.9 billion for Title I and other education, \$0.5 billion for labor, \$1,164.5 million for transportation, and the remainder for all other federal aid programs.

Any changes by the federal government in how census data is collected and utilized may impact certain census data based future federal awards made to New Jersey.

Disaster Relief Aid following Superstorm Sandy

The federal Disaster Relief Appropriations Act of 2013 (the “Disaster Relief Act”) appropriated approximately \$50.38 billion (later reduced by sequestration to \$47.9 billion) to various federal agencies to assist states and local communities with the impacts of Superstorm Sandy, including funding provided directly to private homeowners and businesses.

The Disaster Relief Act allocated funding to the various federal Offices of Inspector General (“OIG”) to conduct audits and investigations related to the expenditure of disaster relief aid. Audits are ongoing or have already been undertaken by the OIG from the U.S. Department of Homeland Security, the U.S. Department of Housing and Urban Development, the U.S. Department of Transportation, and the U.S. Department of Health and Human Services. The State anticipates that there will be continued audit activity throughout the duration of the federally-funded Sandy programs. As with any federal OIG audit or investigation, there is the potential for an OIG recommendation that the federal agency de-obligate funding in the event of non-compliance with federal statutes or regulations.

Office of Inspector General Audit of Medicaid

Medicaid disallowances may be issued during federal Fiscal Year 2019 (which ends September 30, 2019) or federal Fiscal Year 2020 (which ends September 30, 2020) based on a series of federal Office of the Inspector General program audits of claim documentation and cost allocation methodologies. The Department of Human Services disputes these findings and is taking steps to minimize the final impact of these audits. Twenty-two audits which in the aggregate total nearly \$1 billion, are currently in draft or final form but, due to possible revisions or appeals, the final amounts and timing of any repayments are uncertain. Approximately one-third of the amount above relates to a recently received draft audit of the State’s School-based Medicaid claiming. The findings of this audit are currently being reviewed and evaluated. See also “LITIGATION — *Medicaid, Tort, Contract, Workers’ Compensation and Other Claims*” herein.

Expenditures

As used herein, the term “expenditures” refers to a fiscal year’s net disbursements plus amounts obligated for payment in a subsequent fiscal year for budgeted, non-budgeted and federal funds. See “STATE FINANCES — Budget and Appropriation Process.” The table entitled “EXPENDITURES” on the next page displays the expenditures for Fiscal Years 2016 through 2018.

Expenditures exceed the dollar amounts enumerated in the appropriations acts by reason of and only to the extent of specific provisions in the authorizing acts which appropriate (or permit the expenditure of) unexpended balances of prior appropriations, certain cash receipts (such as student service fees and extension fees at State colleges) and most federal aid. Such unexpended balances, cash receipts and federal aid are not included in the tables of appropriations or revenues previously presented herein.

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EXPENDITURES
(In Millions)

	For the Fiscal Year Ended June 30		
	2018	2017	2016
General Fund:			
Legislative Branch	\$ 81.8	\$ 78.6	\$ 79.3
Chief Executive's Office	6.6	6.0	6.7
Department of:			
Agriculture	532.9	519.0	507.7
Banking and Insurance	58.6	56.8	52.7
Children and Families	1,843.4	1,764.0	1,753.9
Community Affairs	1,070.1	800.5	650.2
Corrections	1,080.0	1,074.6	1,096.4
Education	1,247.6	1,392.5	1,478.1
Environmental Protection	639.4	622.0	632.8
Health	2,036.7	1,482.1	1,604.0
Human Services	17,193.5	17,307.4	16,515.2
Labor and Workforce Development	785.0	800.6	779.0
Law and Public Safety	1,218.0	1,155.4	1,129.8
Military and Veterans' Affairs	145.2	139.6	148.4
State	1,324.1	1,268.3	1,281.3
Transportation	2,415.5	2,541.2	2,236.6
Treasury	1,534.9	2,245.0	2,395.9
Miscellaneous Executive Commissions	0.8	0.8	0.8
Interdepartmental Accounts	4,202.4	4,213.8	4,171.6
Judicial Branch	883.1	859.6	869.8
Total General Fund	\$38,299.6	\$38,327.8	\$37,390.2
Property Tax Relief Fund:			
Department of:			
Agriculture	\$ 5.6	\$ —	\$ —
Community Affairs	392.6	409.3	394.8
Corrections	22.1	22.4	21.3
Education	12,985.7	12,834.1	12,221.3
Environmental Protection	4.8	3.4	3.4
Health	95.1	—	—
Human Services	93.9	139.3	159.8
Law and Public Safety	2.0	2.0	2.0
State	3.7	—	—
Transportation	217.8	—	—
Treasury	1,954.5	1,281.0	1,276.6
Interdepartmental	45.0	—	—
Total Property Tax Relief Fund	\$15,822.8	\$14,691.5	\$14,079.2
Gubernatorial Elections Fund	\$ 13.0	\$ 6.7	\$ —
Casino Control Fund:			
Department of:			
Law and Public Safety	\$ 42.1	\$ 40.9	\$ 39.9
Treasury	5.7	6.2	6.1
Total Casino Control Fund	\$ 47.8	\$ 47.1	\$ 46.0
Casino Revenue Fund:			
Department of:			
Health	\$ 0.5	\$ 0.5	\$ 0.5
Human Services	216.1	204.7	182.4
Labor and Workforce Development	2.2	2.2	2.2
Law and Public Safety	0.1	0.1	0.1
Transportation	—	17.5	18.8
Total Casino Revenue Fund	\$ 218.9	\$ 225.0	\$ 204.0
Total Expenditures	\$54,402.1	\$53,298.1	\$51,719.4

CASH MANAGEMENT

Timing imbalances of the revenue collections and expenditures of the General Fund and the Property Tax Relief Fund exist because approximately 60% of the State's net major tax revenues are received in the second half of the fiscal year and over 35% of net major tax revenues are received during the last quarter of the fiscal year. For the past several fiscal years, this timing imbalance has led to State revenues only consistently exceeding State expenditures late in the third quarter or early in the fourth quarter of the fiscal year. In addition, the State's negative cash flow position through the first three quarters of a fiscal year is exacerbated by the fact that Gross Income Tax receipts are not known until around early May of each fiscal year.

Furthermore, L. 2016, c. 83 (the "Pension Contribution Act") requires the State to make its payments to the Pension Plans in quarterly installments on September 30, December 31, March 31 and June 30 commencing in Fiscal Year 2018. Prior to Fiscal Year 2018 the State had made its payments to the Pension Plans at the end of each fiscal year. The Pension Contribution Act reduced the State's flexibility to decrease expenditures in a fiscal year if revenues are less than anticipated.

To address these challenges, the State employs a cash flow modeling system and may utilize a variety of tools to manage its cash. These tools include, but are not limited to: issuance of Tax and Revenue Anticipation Notes ("TRANs"); management of the impact of debt issuances during a fiscal year; interfund borrowing during a fiscal year; and utilizing balances in the Transportation Trust Fund to pay Transportation Trust Fund expenditures, rather than utilizing General Fund balances to pay Transportation Trust Fund expenditures and then reimbursing the General Fund from balances in the Transportation Trust Fund. In Fiscal Year 2020, the State will likely utilize all of these measures to various degrees.

TAX AND REVENUE ANTICIPATION NOTES

The State issues TRANs to aid in providing effective cash flow management by funding timing imbalances which occur in the collection and disbursement of the General Fund and Property Tax Relief Fund revenues.

TRANs do not constitute a general obligation of the State or a debt or liability within the meaning of the State Constitution. Such TRANs constitute special obligations of the State payable solely from monies on deposit in the General Fund and the Property Tax Relief Fund and legally available for such payment. TRANs are payable solely from revenues attributable to the fiscal year in which the TRANs were issued.

On July 31, 2019, the State Treasurer adopted a resolution authorizing the issuance of TRANs for Fiscal Year 2020. Pursuant thereto, on July 31, 2019, the State Treasurer entered into Note Purchase Contracts with Bank of America, N.A. and BofA Securities, Inc. under which each firm agreed to purchase TRANs in one or more series in the maximum amount of \$1 billion (\$2 billion in aggregate). Pursuant to such Note Purchase Contracts, the State has not issued any TRANs to date.

The State intends to issue TRANs during the first half of Fiscal Year 2020.

The following table sets forth the amounts of TRANs issued for the past five fiscal years.

<u>Fiscal Year</u>	<u>Amount of TRANs Issued</u>
2015	\$2,600,000,000
2016	1,900,000,000
2017	1,750,000,000
2018	1,500,000,000
2019	1,500,000,000

LONG-TERM OBLIGATIONS

General Obligation Bonds

General Obligation Bonds of the State are authorized from time to time by Acts of the State Legislature, subject to approval by referendum. Each such "Bond Act" sets forth the authorized amounts and purposes of the bonds as well as certain parameters for issuing bonds, such as maximum term. Purposes under the Bond Acts have included open space and farmland preservation, water supply protection, transportation, higher education, port development, economic development, hazardous waste remediation, and many other public purposes. The Bond Acts provide that the bonds issued represent a debt of the State, and the faith and credit of the State are pledged to their repayment.

Certain decisions relating to the bond sale, including the setting of interest rates and amortization of the bonds, are delegated to the "Issuing Officials" of the State, comprising the Governor, State Treasurer and Budget Director. The State Treasurer is directed to hold and invest the proceeds of the bond sale pending their expenditure in separate funds as established by the Bond Act. The Refunding Bond Act of 1985 sets forth the procedures and parameters for issuing bonds for the purpose of refunding outstanding bonds issued under any other Bond Act.

General Obligation Bonds are described in the "Notes to the Financial Statements" and the Statistical Section set forth in the 2018 CAFR which is incorporated by specific reference herein. See also the table captioned "STATE OF NEW JERSEY — LEGISLATIVELY AUTHORIZED BUT UNISSUED DEBT, 2018 AND 2017" in the 2018 CAFR. In addition to the General Obligation Bonds described in the 2018 CAFR, the voters approved the "Securing Our Children's Future Bond Act" in November 2018. The act authorizes the issuance of \$500 million in general obligation bonds to finance water infrastructure projects and security upgrades in public K-12 schools, and capital projects to increase the capacity of county vocational schools and county colleges in career and technical education. No bonds have been issued pursuant to this act.

State Appropriation Obligations

The State has entered into a number of leases and contracts described below (collectively, the "Agreements") with several governmental authorities to secure the financing of various projects and programs in the State. Under the terms of the Agreements, the State has agreed to make payments equal to the debt service on, and other costs related to, the obligations sold to finance the projects, including payments, if any, on swap agreements defined below. The State Legislature has no legal obligation to enact appropriations to fund such payments, but has done so to date for all such obligations. The amounts appropriated to make such payments are included in the appropriation for the department, authority or other entity administering the program or in other line item appropriations. See "STATE FINANCES — Budget and Appropriation Process" and "FINANCIAL RESULTS AND ESTIMATES — Appropriations" herein. The principal amount of bonds which may be issued and the notional amount of swaps which may be entered into by such governmental authorities is, in certain cases, subject to specific statutory dollar ceilings or programmatic restrictions which effectively limit such amounts. In other cases, there are currently no such ceilings or limitations. In addition, the State Legislature may at any time impose, remove, increase or decrease applicable existing ceilings and impose, modify or remove programmatic restrictions. The State Legislature may also authorize new agreements with the governmental authorities listed below or other governmental authorities to secure the financing of projects and programs in the future. Certain of these changes may require voter approval.

The State expects that additional State Appropriation Obligations will be issued during Fiscal Year 2020 and future fiscal years. The Lance Amendment, described under "CERTAIN CONSTITUTIONAL PROVISIONS AND JUDICIAL DECISIONS — Debt Limitations" herein, prohibits the State Legislature from enacting legislation authorizing State Appropriation Obligations payable from sources other than constitutionally dedicated sources unless such legislation is submitted and approved by a majority of legally qualified voters of the State voting thereon at a general election. The State Legislature is not legally obligated to appropriate amounts for the payment of such debt service in any year, and there can be no assurance that the State Legislature will make any such appropriations. See also the table captioned "STATE OF NEW JERSEY — LEGISLATIVELY AUTHORIZED BUT UNISSUED DEBT, 2018 AND 2017" in the 2018 CAFR.

The following tables set forth the State's long-term obligations. The first table summarizes by issuer and by program the principal amounts outstanding on June 30, 2019 and the estimated Fiscal Year 2020 debt service on such obligations. The second table depicts the aggregate estimated future debt service as of June 30, 2019 on all such General Obligation Bonds and State Appropriation Obligations. The data contained in the tables has not been adjusted to reflect subsequent activity. The tables include certain data that are (1) for governmental entities or programs that are not considered part of the State's long-term obligations for financial reporting purposes under generally accepted accounting principles or (2) for a component unit of the State. These items are therefore not reflected in Note 11 — Long-Term Obligations and the Schedule of Long-Term Debt in the 2018 CAFR. In addition, there are certain obligations which are included in such Note 11, which are not included in the following tables or elsewhere in this Appendix I. The amounts included in Note 11 which are not included in the following tables include BEIP payments to private businesses. The State Legislature has never failed to appropriate amounts for the payment of debt service on the State Appropriation Obligations included in the following tables.

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**SUMMARY OF LONG-TERM OBLIGATIONS
AS OF JUNE 30, 2019**

Issuer	Type of Agreement	Principal Amount Outstanding⁽¹⁾	Fiscal Year 2020 Debt Service⁽²⁾
General Obligation Bonds	General Obligation	\$ 1,550,690,000	\$ 343,751,738
<i>State Appropriation Bonds by Issuer or Program:</i>			
Garden State Preservation Trust	Contract	630,869,410	97,640,100
New Jersey Building Authority	Lease	131,185,000	27,755,975
New Jersey Economic Development Authority			
Biomedical Research Facilities	Contract	44,500,000	3,465,098
Cigarette Tax Revenue	Contract	562,645,000	91,742,250
Department of Human Services Programs	Service Contract	4,468,000	971,562
Economic Recovery Fund	Contract	48,222,725	26,600,350
Lafayette Yard Hotel Project	Lease	2,560,000	2,699,750
Liberty State Park Project	Lease	58,055,000	9,829,225
Motor Vehicle Surcharges Revenue	Contract	702,268,309	62,885,319
Motor Vehicle Surcharges Revenue- Special Needs Housing	Contract	179,763,026	41,892,823
Municipal Rehabilitation	Contract	94,615,000	8,627,085
New Jersey Transit Corporation Projects	Lease	613,810,000	85,385,900
School Facilities Construction	Contract	9,790,365,000	1,044,291,427
State House Project	Lease	335,075,000	23,798,301
State Government Buildings Projects	Lease	369,295,000	24,562,240
State Office Buildings Projects	Lease	790,000	829,500
State Pension Funding	Contract	2,010,834,651	493,390,677
State Police Barracks Project	Lease	3,380,000	954,000
New Jersey Educational Facilities Authority			
Capital Improvement Fund	Contract	459,445,000	68,559,821
Equipment Leasing Fund Program	Contract	26,665,000	8,213,250
Facilities Trust Fund	Contract	155,785,000	19,695,581
Public Library Project Grant Program	Contract	13,495,000	3,724,550
Technology Infrastructure Fund	Contract	27,675,000	3,731,475
New Jersey Health Care Facilities Financing Authority			
Greystone Park Psychiatric Hospital Project	Contract	170,860,000	17,563,088
Hospital Asset Transformation Program	Contract	170,475,000	8,523,750
Marlboro Psychiatric Hospital Project	Contract	65,530,000	3,871,175
New Jersey Sports and Exposition Authority	Contract	197,105,000	53,303,174
New Jersey Transportation Trust Fund Authority			
Transportation Program Bonds	Contract	3,903,765,000	262,952,994
Transportation System Bonds	Contract	10,637,575,716	1,063,412,331
State-Supported County College Bonds	Statutory	150,985,930	32,349,093
State Equipment Line of Credit	Lease	60,296,368	28,856,495
Master Energy Lease Purchase Agreement	Lease	75,450,879	8,254,916
TOTALS		\$33,248,500,015	\$3,974,085,013

(1) Amounts for outstanding capital appreciation bonds do not include accretion from date of issuance.

(2) For variable rate obligations, estimated interest amounts were calculated using the rates in effect on June 30, 2019. (See "LONG-TERM OBLIGATIONS - Description of Certain Long-Term Obligations - Variable Rate Obligations" herein).

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**ESTIMATED FUTURE DEBT SERVICE ON LONG-TERM OBLIGATIONS
AS OF JUNE 30, 2019**

Fiscal Year	General Obligation Bonds		State Appropriation Obligations		Total
	Principal	Interest	Principal ⁽¹⁾	Interest ⁽¹⁾⁽²⁾	
2020	\$ 277,025,000	\$ 66,726,738	\$ 1,817,417,933	\$ 1,812,915,343	\$ 3,974,085,013
2021	216,585,000	54,378,588	1,920,607,970	1,725,937,834	3,917,509,392
2022	144,510,000	45,892,769	1,955,574,293	1,663,203,712	3,809,180,775
2023	91,275,000	39,764,975	2,094,225,513	1,575,507,154	3,800,772,642
2024	53,965,000	35,538,713	1,986,551,335	1,490,202,907	3,566,257,955
2025	56,480,000	33,018,863	1,958,603,985	1,538,455,594	3,586,558,441
2026 ⁽³⁾	58,940,000	30,565,863	2,192,130,438	1,288,284,669	3,569,920,970
2027	61,420,000	28,085,163	2,135,282,588	1,132,166,130	3,356,953,880
2028 ⁽⁴⁾	64,290,000	25,212,913	2,250,529,631	1,022,190,422	3,362,222,965
2029	67,300,000	22,205,113	1,795,352,160	957,605,404	2,842,462,676
2030	70,450,000	19,055,063	1,151,442,394	812,811,243	2,053,758,700
2031	72,945,000	16,556,750	973,522,044	770,509,629	1,833,533,424
2032	76,360,000	13,142,000	786,872,173	736,990,190	1,613,364,363
2033	79,935,000	9,565,800	805,478,846	687,371,687	1,582,351,334
2034	56,980,000	6,368,400	858,691,732	656,816,612	1,578,856,744
2035	59,265,000	4,089,200	852,831,275	624,713,704	1,540,899,179
2036	21,060,000	1,718,600	726,704,570	709,013,876	1,458,497,047
2037	21,905,000	876,200	709,704,324	658,181,803	1,390,667,328
2038	—	—	676,161,526	654,983,940	1,331,145,466
2039	—	—	668,173,420	712,627,916	1,380,801,336
2040	—	—	870,560,782	576,590,608	1,447,151,390
2041	—	—	986,166,082	247,760,556	1,233,926,638
2042	—	—	504,515,000	75,001,813	579,516,813
2043	—	—	336,995,000	49,776,300	386,771,300
2044	—	—	233,715,000	32,955,750	266,670,750
2045	—	—	122,445,000	21,661,625	144,106,625
2046	—	—	128,510,000	15,598,425	144,108,425
2047	—	—	87,980,000	9,234,419	97,214,419
2048	—	—	67,550,000	5,098,806	72,648,806
2049	—	—	43,515,000	1,958,175	45,473,175
	<u>\$1,550,690,000</u>	<u>\$452,761,706</u>	<u>\$31,697,810,014</u>	<u>\$22,266,126,248</u>	<u>\$55,967,387,969</u>

(1) For capital appreciation bonds, the original issue amount is reflected as principal and the accretion in value from the date of issuance is reflected as interest in the year of bond maturity.

(2) For variable rate bonds, interest amounts were calculated using the rates in effect on June 30, 2019. (See "OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION - Variable Rate Bonds" herein).

(3) The principal amount includes \$60,850,000 School Facilities Construction Notes, 2013 Series I that mature September 1, 2025. It is anticipated that these Notes will be refunded prior to their maturity. Estimated interest on the Notes is included in this table.

(4) The principal amount includes \$89,580,000 School Facilities Construction Notes, 2013 Series I that mature September 1, 2027 and \$230,085,000 School Facilities Construction Notes, 2013 Series I that will mature March 1, 2028. It is anticipated that these Notes will be refunded prior to their maturity. Estimated interest on the Notes is included in this table.

Issuers of State Appropriation Obligations

Garden State Preservation Trust

The Garden State Preservation Trust ("GSPT") issues bonds for the purpose of preserving open space and farmland. Pursuant to the Garden State Preservation Trust Act, as amended, the principal amount of bonds, notes or other obligations which could have been issued prior to July 1, 2009, other than refunding bonds, cannot exceed \$1.15 billion. The GSPT has issued all of its \$1.15 billion statutory bonding authorization. After July 1, 2009, only

refunding bonds can be issued. The bonds issued by the GSPT are special obligations of the GSPT payable from amounts paid to it under a contract between the GSPT and the State Treasurer, subject to appropriation by the State Legislature.

New Jersey Building Authority

The New Jersey Building Authority ("NJBA") issues bonds for the acquisition, construction, renovation and rehabilitation of various State office buildings, historic buildings and correctional facilities. Pursuant to a lease agreement, the State makes rental payments to the NJBA in amounts sufficient to pay debt service on the bonds, subject to appropriation by the State Legislature.

New Jersey Economic Development Authority

The NJEDA is authorized to issue bonds for various purposes described below.

The Cigarette Tax Securitization Act of 2004, *L. 2004, c. 68*, authorizes the NJEDA to issue bonds payable from, and secured by, a dedicated portion, \$0.0325 per cigarette, of the cigarette tax imposed pursuant to *N.J.S.A. 54:40A-1 et seq.* Debt service on the bonds is payable pursuant to a contract between the NJEDA and the State Treasurer, subject to appropriation by the State Legislature.

The NJEDA has issued revenue bonds on behalf of non-profit community service providers. The payment of debt service on these revenue bonds is the obligation of the community service providers. However, such debt service payments as well as the payment of certain other provider expenses are reimbursed by the State pursuant to service contracts between the State Department of Human Services and these providers, subject to appropriation by the State Legislature. The contracts have one-year terms, subject to annual renewal.

The Economic Recovery Bonds have been issued pursuant to legislation enacted in 1992 to finance various economic development purposes. Pursuant to that legislation, the NJEDA and the State Treasurer entered into an agreement through which the NJEDA has agreed to undertake the financing of certain projects and the State Treasurer has agreed to credit to the Economic Recovery Fund from the General Fund amounts equivalent to payments due to the State under an agreement with the Port Authority of New York and New Jersey, subject to appropriation by the State Legislature.

The NJEDA is authorized to issue bonds to purchase a redevelopment revenue bond (the "City Bond") issued by the City of Trenton. The City Bond was issued to refund a portion of bonds issued by a non-profit corporation to construct the Lafayette Yard hotel and conference center project in Trenton. The NJEDA Bonds are secured by the principal and interest payments on the City Bond, which, in turn, are payable solely from payments in lieu of taxes (the "PILOTS") made by the NJEDA. The PILOTS are payable solely from supplemental rent the State pays to the NJEDA under a lease, subject to appropriation by the State Legislature.

The Motor Vehicle Surcharges Securitization Act of 2004, *L. 2004, c. 70*, authorizes the NJEDA to issue bonds payable from, and secured by, dedicated motor vehicle surcharge revenues as defined in the legislation. Debt service on the bonds is payable pursuant to a contract between the NJEDA and the State Treasurer, subject to appropriation by the State Legislature. Pursuant to *L. 2005, c. 163*, *L. 2004, c. 70* was amended to authorize the issuance of bonds by NJEDA in an amount not to exceed \$200 million to fund grants and loans for the costs of special needs housing projects in the State.

The Municipal Rehabilitation and Economic Recovery Act, *L. 2002, c. 43 (N.J.S.A. 52:27BBB-1 et seq.)*, authorizes the NJEDA to issue bonds for the purpose of making deposits into certain funds described in *N.J.S.A. 52:27BBB-49* and *N.J.S.A. 52:27BBB-50*, to provide loans and grants to sustain economic activity in qualified municipalities under the Act. Debt service on the bonds is paid pursuant to a contract between the NJEDA and the State Treasurer, subject to appropriation by the State Legislature.

The Educational Facilities Construction and Financing Act, L. 2000, c. 72 ("EFCFA") authorizes the NJEDA to issue bonds to finance the State share of costs for school facilities construction projects. EFCFA originally provided that the aggregate principal amount of bonds, notes or other obligations issued by NJEDA shall not exceed: \$100,000,000 for the State share of costs for county vocational school district school facilities projects, \$6,000,000,000 for the State share of costs for "Abbott District" school facilities projects, and \$2,500,000,000 for the State share of costs for school facilities projects in all other districts. Debt service on the bonds issued pursuant to EFCFA is paid pursuant to a contract between the State Treasurer and the NJEDA, subject to appropriation by the State Legislature. EFCFA was amended in July 2008 to increase the amount of bonds, notes or other obligations authorized to be issued by the NJEDA in additional aggregate principal amounts not to exceed: \$2,900,000,000 for the State share of costs for school facilities projects in the "SDA Districts" (formerly "Abbott Districts"), \$1,000,000,000 for the State share of costs for school facilities projects in all other districts, and \$50,000,000 for the State share of costs for county vocational school district facilities projects. In regard to this increase in the amount of bonds authorized to be issued by NJEDA pursuant to this amendment, debt service on these bonds or refunding bonds issued by NJEDA and any additional costs authorized pursuant to Section 14 of EFCFA shall first be payable from revenues received from the New Jersey Gross Income Tax except that debt service on bonds issued to pay for administrative, insurance, operating and other expenses of the NJEDA and the Schools Development Authority in connection with school facilities projects shall be payable from the General Fund. The additional bonds issued pursuant to this amendment are also payable pursuant to the contract between the State Treasurer and the NJEDA, mentioned above, subject to appropriation by the State Legislature.

The State Pension Funding Bonds were issued pursuant to legislation enacted June 1997 to pay a portion of the State's unfunded accrued pension liability for the State's retirement system, which together with amounts derived from the revaluation of pension assets pursuant to companion legislation enacted at the same time, were sufficient to fully fund the then unfunded accrued pension liability at that time. Debt service on the bonds is payable pursuant to a contract between the State Treasurer and the NJEDA, subject to appropriation by the State Legislature.

L. 2006, c. 102 authorized the issuance of \$270 million of bonds by the NJEDA to fund various State capital construction projects, including stem cell research facilities in New Brunswick and Newark, biomedical research facilities, blood collection facilities and cancer research facilities. On September 14, 2016, the NJEDA issued \$46.850 million of Biomedical Research Bonds, Series A. Debt service on the bonds shall be paid pursuant to a contract entered into between the NJEDA and the State Treasurer, subject to appropriation by the State Legislature.

In addition, the State has entered into a number of leases with the NJEDA relating to the financing of certain real property, office buildings and equipment. The rental payments required to be made by the State under these lease agreements are sufficient to pay debt service on the bonds issued by the NJEDA to finance the acquisition and construction of such projects and other amounts payable to the NJEDA, including certain administrative expenses of the NJEDA. Amounts payable under the lease agreements are subject to appropriation by the State Legislature.

New Jersey Educational Facilities Authority

The New Jersey Educational Facilities Authority ("NJEFA") issues bonds pursuant to seven separate programs to finance: (i) the purchase of equipment to be leased to institutions of higher learning (the "Equipment Leasing Fund"); (ii) grants to the State's public and private institutions of higher education for the development, construction and improvement of instructional, laboratory, communication and research facilities (the "Facilities Trust Fund"); (iii) grants to public and private institutions of higher education to develop a technology infrastructure within and among the State's institutions of higher education (the "Technology Infrastructure Fund"); (iv) capital projects at county colleges; (v) grants to public and private institutions of higher education to finance the renewal, renovation, improvement, expansion, construction, and reconstruction of educational facilities and technology infrastructure (the "Capital Improvement Fund"); (vi) grants to public libraries to finance the acquisition, expansion and rehabilitation of buildings to be used as public library facilities and the acquisition and installation of equipment to be located therein (the "Public Library Project Grant Program"); and (vii) loans to public and private institutions of higher education and public or private secondary schools, military schools or boarding schools located in the State which are required under the Dormitory Safety Trust Fund Act to install automatic fire suppression systems for the cost or a portion of the cost of the construction, reconstruction, development, extension or improvement of

dormitory safety facilities, including fire prevention and sprinkler systems (the "Dormitory Safety Trust Fund"). The debt service on the bonds issued under these programs is payable by the State pursuant to statutory provisions or contracts between the NJEFA and the State Treasurer subject to appropriation by the State Legislature. Under the financing programs for the Equipment Leasing Fund, the Facilities Trust Fund, the Technology Infrastructure Fund and the Capital Improvement Fund, as bonds mature or are redeemed, the bonding capacity revolves. As of June 30, 2019, under these programs, the NJEFA has, in aggregate, approximately \$456,650,000 of bonding capacity.

New Jersey Health Care Facilities Financing Authority

The New Jersey Health Care Facilities Financing Authority ("HCFFA") is authorized to acquire, construct and lease projects to the New Jersey Department of Human Services ("DHS") and to issue bonds to finance such projects, the debt service on which shall be paid by DHS, subject to appropriation by the State Legislature. The State has financed the construction of a new Greystone Park Psychiatric Hospital, the demolition of the old Greystone Park Psychiatric Hospital and the demolition of the old Marlboro Psychiatric Hospital through the issuance of bonds by HCFFA that are secured by payments made by DHS, subject to appropriation by the State Legislature.

Under the Hospital Asset Transformation Program established by L. 2000, c. 98 and as amended by L. 2007, c. 110, and L. 2009, c. 2, HCFFA is authorized to issue bonds to provide funds to any nonprofit health care organization in order to, among other things, satisfy the outstanding indebtedness of a hospital, pay the costs of transitioning or terminating the provision of hospital acute care services at a specific location, including the costs of construction, renovation, equipment, information technology and working capital, and pay the costs associated with the closure or acquisition of a general hospital. Such bonds are special obligations of HCFFA payable from amounts paid to it under a contract between HCFFA and the State Treasurer, subject to appropriation by the State Legislature.

New Jersey Sports and Exposition Authority

The New Jersey Sports and Exposition Authority (the "NJSEA") issues bonds for various purposes payable from a contract between the NJSEA and the State Treasurer (the "NJSEA State Contract"). Pursuant to the NJSEA State Contract, the NJSEA undertakes certain projects and the State Treasurer credits to the NJSEA amounts from the General Fund sufficient to pay debt service and other costs related to the bonds, subject to appropriation by the State Legislature.

New Jersey Transportation Trust Fund Authority

The New Jersey Transportation Trust Fund Authority (the "TTFA") issues bonds for the purpose of funding a portion of the State's share of the cost of improvements to the State's transportation system. The bonds issued by the TTFA are special obligations of the TTFA payable from a contract ("State Contract") among the TTFA, the State Treasurer and the Commissioner of Transportation, subject to appropriation by the State Legislature. The issuance of refunding bonds to refund prior obligations of the TTFA is not subject to the debt issuance restrictions described below, but is subject to the approval of the Joint Budget Oversight Committee of the State Legislature.

The New Jersey Transportation Trust Fund Authority Act of 1984, as amended by L. 2016, c. 56 authorizes the issuance of \$12 billion in Transportation Program Bonds between Fiscal Year 2017 and Fiscal Year 2024, the payment of debt service on which must be paid solely from revenues dedicated for transportation purposes pursuant to Article VIII, Section II, paragraph 4 of the State Constitution.

An amendment to the Article VIII, section II, paragraph 4 of the State Constitution was approved by the voters on November 8, 2016, dedicating all revenue from the motor fuels and petroleum products gross receipts taxes for transportation purposes. These constitutionally dedicated monies are available to be appropriated by the Legislature to the TTFA to pay debt service on Transportation Program Bonds issued by the TTFA and as pay-as-you-go-funding. Any constitutionally dedicated revenues in excess of the amount needed to pay debt service on TTFA bonds and Transportation Capital Program project costs are appropriated to the Transportation Trust Fund Account - Subaccount for Capital Reserves to meet future Transportation Capital Program needs.

State Supported County College Bonds

Legislation provides for appropriations for State Aid to counties equal to a portion of the debt service on bonds issued by or on behalf of such counties for construction of county college facilities (*L. 1971, c. 12*, as amended). The State Legislature has no legal obligation to make such appropriations, but has done so to date for all obligations issued under this legislation. The NJEFA is also authorized to issue its obligations to finance county college capital facilities which are secured in whole or in part by an agreement with the State Treasurer, subject to appropriation by the State Legislature.

State Equipment Lease Financing

The State finances the acquisition of certain equipment and vehicles to be used by various State departments through equipment lease financings established from time to time with one or more financial services providers. Repayments of amounts drawn under the equipment lease financings are subject to appropriation by the State Legislature, some of which comes from energy savings obtained in connection with equipment lease financings for energy savings equipment.

Master Energy Lease Purchase Agreement

The State finances the acquisition of certain energy efficiency projects at State facilities through equipment lease financings established from time to time with one or more financial services providers. Repayments of amounts that are escrowed under the equipment lease financings are subject to appropriation by the State Legislature.

Description of Certain Long-Term Obligations

Variable Rate Obligations

As of June 30, 2019, the NJEDA and the TTFA have outstanding \$678,015,000 of floating rate notes ("FRN"), which bear interest at rates that reset weekly and are based on the Securities Industry and Financial Markets Association ("SIFMA") rate plus a fixed spread. There are no letters of credit in support of these notes. Such notes are included within the Long-Term Obligations tables herein.

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The following table provides a summary of the State-supported variable rate obligations outstanding as of June 30, 2019.

SUMMARY OF VARIABLE RATE OBLIGATIONS AS OF JUNE 30, 2019

Issuer	Series	Type-Reset Period	Amount Outstanding as of 6/30/19	Index Rate (if applicable)	Interest Rate as of 6/30/19	Maturity Date
Economic Development Authority - School Facilities Construction	2013 Series I	FRN-Weekly	\$ 60,850,000	SIFMA+1.25%	3.15%	9/01/25
	2013 Series I	FRN-Weekly	89,580,000	SIFMA+1.55	3.45	9/01/27
	2013 Series I	FRN-Weekly	230,085,000	SIFMA+1.60	3.50	3/01/28
	Total		\$380,515,000			
Transportation Trust Fund Authority ⁽¹⁾	2014 Series BB-1	FRN-Weekly	150,000,000	SIFMA+1.00	2.90	6/15/34
	2014 Series BB-2	FRN-Weekly	147,500,000	SIFMA+1.20	3.10	6/15/34
	Total		\$297,500,000			
	Grand Total		\$678,015,000			

⁽¹⁾ The 2014 Series BB-1 Notes are subject to mandatory tender on December 15, 2019. The 2014 Series BB-2 Notes are subject to mandatory tender on December 15, 2021.

Bank Loan Bonds

The NJEDA and the NJEFA have issued certain series of bonds to finance school facilities construction projects and higher education capital improvement projects pursuant to term loan agreements with several banks. A bank's rights under such term loan agreements are essentially the same as bondholders' rights except for a few differences. The bank may require the mandatory term out of the bonds for a shortened amortization period if certain events occur under the loan agreement, including, without limitation, the failure to pay, or cause to be paid, when due, principal of or interest on the bonds, a debt moratorium, a ratings downgrade, a material failure to perform under the State Contract, an action that material adversely affects the rights, remedies or security of the trustee under the bond resolution or the bank under the loan agreement or a material amendment or modification to the State Contract without the prior written consent of the bank. For tax-exempt bonds, the loan agreements provide that if an event of taxability occurs, the interest rate on the bonds will increase. The aggregate amount of such bank loan bonds outstanding as of June 30, 2019 is \$1,646,785,000. Such bonds are included within the Long-Term Obligations tables herein.

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The following table provides a summary of the State-supported term loan agreements outstanding as of June 30, 2019.

BANK LOAN PORTFOLIO

Economic Development Authority School Facilities Construction Bonds

Lender	Series	Tax Status	Amount Outstanding (\$ as of 6/30/19)	Fixed Interest Rate*	Maturity Date
Bank of America, N.A.	2014 Series SS	Tax Exempt	\$ 44,855,000	2.910%	6/15/2021
Bank of America, N.A.	2014 Series SS	Tax Exempt	69,795,000	2.910	6/15/2022
Bank of America, N.A.	2014 Series SS	Tax Exempt	40,690,000	2.910	6/15/2023
Bank of America, N.A.	2014 Series SS	Tax Exempt	41,800,000	2.910	6/15/2024
Bank of America, N.A.	2015 Series VV	Taxable	51,925,000	4.380	6/15/2022
Bank of America, N.A.	2015 Series VV	Taxable	187,795,000	4.600	6/15/2023
Bank of America, N.A.	2015 Series VV	Taxable	198,145,000	4.750	6/15/2024
Bank of America, N.A.	2015 Series VV	Taxable	159,590,000	4.900	6/15/2025
Barclays Capital Inc.	2019 Series GGG	Taxable	31,100,000	5.664	9/1/2022
Barclays Capital Inc.	2019 Series GGG	Taxable	79,440,000	5.742	9/1/2023
Barclays Capital Inc.	2019 Series GGG	Taxable	102,850,000	5.842	9/1/2024
Barclays Capital Inc.	2019 Series GGG	Taxable	86,620,000	5.847	9/1/2025
Barclays Capital Inc.	2019 Series GGG	Taxable	104,200,000	5.969	9/1/2026
Barclays Capital Inc.	2019 Series GGG	Taxable	30,555,000	5.929	9/1/2027
Barclays Capital Inc.	2019 Series HHH-1	Tax Exempt	21,060,000	5.000	9/1/2022
Barclays Capital Inc.	2019 Series HHH-2	Taxable	31,225,000	3.500	9/1/2022
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	10,429,000	3.070	12/15/2020
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	1,472,000	3.070	12/15/2021
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	1,519,000	3.070	12/15/2022
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	1,567,000	3.070	12/15/2023
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	7,579,000	3.070	12/15/2024
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	2,355,000	3.070	12/15/2025
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	13,065,000	3.070	12/15/2026
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	18,856,000	3.070	12/15/2027
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	10,946,000	3.070	12/15/2028
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	10,304,000	3.070	12/15/2029
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	25,544,000	3.070	12/15/2030
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	8,344,000	3.070	12/15/2031
PNC Bank, N.A.	2019 Series JJJ	Tax Exempt	5,520,000	2.765	9/1/2020
PNC Bank, N.A.	2019 Series JJJ	Tax Exempt	5,793,000	2.765	9/1/2021
PNC Bank, N.A.	2019 Series JJJ	Tax Exempt	3,742,000	2.765	9/1/2022
PNC Bank, N.A.	2019 Series JJJ	Tax Exempt	8,360,000	2.765	9/1/2023
PNC Bank, N.A.	2019 Series JJJ	Tax Exempt	351,000	2.765	9/1/2024
PNC Bank, N.A.	2019 Series JJJ	Tax Exempt	361,000	2.765	9/1/2025
PNC Bank, N.A.	2019 Series JJJ	Tax Exempt	9,528,000	2.765	9/1/2026
PNC Bank, N.A.	2019 Series JJJ	Tax Exempt	9,795,000	2.765	9/1/2027
Total			\$ 1,437,075,000		

Economic Development Authority Municipal Rehabilitation Bonds

Barclays Capital Inc.	2019 Series A	Tax Exempt	10,545,000	2.810	4/1/2025
Barclays Capital Inc.	2019 Series A	Tax Exempt	10,430,000	2.840	4/1/2026
Barclays Capital Inc.	2019 Series A	Tax Exempt	9,320,000	3.030	4/1/2027
Barclays Capital Inc.	2019 Series A	Tax Exempt	13,435,000	3.080	4/1/2028
Barclays Capital Inc.	2019 Series B	Taxable	1,790,000	4.330	4/1/2026
Barclays Capital Inc.	2019 Series B	Taxable	3,500,000	4.330	4/1/2027
Total			\$ 49,020,000		

Educational Facilities Authority Higher Education Capital Improvement Fund Bonds

DNT Asset Trust	Series 2016 A	Tax Exempt	34,225,000	2.510	9/1/2019
DNT Asset Trust	Series 2016 A	Tax Exempt	34,935,000	2.660	9/1/2020
DNT Asset Trust	Series 2016 A	Tax Exempt	41,520,000	2.930	9/1/2021
DNT Asset Trust	Series 2016 A	Tax Exempt	41,240,000	3.130	9/1/2022
DNT Asset Trust	Series 2016 A	Tax Exempt	4,650,000	3.300	9/1/2023
DNT Asset Trust	Series 2016 A	Tax Exempt	4,120,000	3.440	9/1/2024
Total			\$ 160,690,000		
Grand Total			\$ 1,646,785,000		

* Interest rate subject to adjustment upon a downgrade in the State's credit rating.

Swap Agreements

The various independent State authorities authorized to issue State Appropriation Obligations in certain cases are also authorized to enter into interest rate exchange agreements ("swap agreements"). As of June 30, 2019, the notional amount of interest rate swap agreements supported by State appropriations is zero.

MORAL OBLIGATIONS

The authorizing legislation for certain State entities provides for specific budgetary procedures with respect to certain obligations issued by such entities. Pursuant to such legislation, a designated official is required to certify any deficiency in a debt service reserve fund maintained to meet payments of principal of and interest on the obligations, and a State appropriation in the amount of the deficiency is to be made. However, the State Legislature is not legally bound to make such an appropriation. Bonds issued pursuant to authorizing legislation of this type are sometimes referred to as moral obligation bonds. There is no statutory limitation on the amount of moral obligation bonds which may be issued by eligible State entities.

The following table sets forth the moral obligations outstanding as of June 30, 2019 and debt service for Fiscal Year 2020.

	Principal Amount Outstanding	Fiscal Year 2020 Debt Service
South Jersey Port Corporation	\$ 214,105,000	\$ 24,643,350
South Jersey Port Corporation Subordinated	255,000,000	12,750,000
Higher Education Student Assistance Authority.....	1,798,030,000	215,056,204
	<u>\$2,267,135,000</u>	<u>\$252,449,554</u>

South Jersey Port Corporation

The State, under its moral obligation, has provided the South Jersey Port Corporation (the "Port Corporation") with funds to replenish its debt service reserve fund to the extent drawn upon by the Port Corporation when Port Corporation revenues are insufficient to pay debt service on its outstanding bonds. Such payments to the Port Corporation are subject to appropriation by the State Legislature.

The following table sets forth the amounts paid to the Port Corporation to replenish its debt service reserve fund and subordinated debt service reserve fund for the past five fiscal years.

Fiscal Year	Amounts Paid for Senior Debt Service	Amounts Paid for Subordinated Debt Service
2015	\$18,918,927	\$ —
2016	18,898,929	—
2017	18,750,000	—
2018	17,650,000	—
2019	17,650,000	—

Higher Education Student Assistance Authority

The Higher Education Student Assistance Authority ("HESAA") has not had a revenue deficiency which required the State to appropriate funds to meet its moral obligation. It is anticipated that the HESAA's revenues will continue to be sufficient to pay debt service on its bonds.

OTHER OBLIGATIONS

The following Other Obligations are not considered State Appropriation Obligations and are therefore not included in the amounts shown in the tables entitled "SUMMARY OF LONG-TERM OBLIGATIONS AS OF JUNE 30, 2019" and "ESTIMATED FUTURE DEBT SERVICE ON LONG-TERM OBLIGATIONS AS OF JUNE 30, 2019".

New Jersey Transportation Trust Fund Authority – "GARVEES"

On November 2, 2016, the TTFA issued \$3.241 billion of Federal Highway Reimbursement Revenue Notes ("GARVEE Notes") which consisted of \$2.741 billion of publicly offered 2016 Series A GARVEE Notes and \$500 million of 2016 Series B GARVEE Notes, which are bank loan notes, purchased by Bank of America, N.A. Both Series of Notes are secured solely by reimbursements received by or on behalf of the New Jersey Department of Transportation pursuant to Title 23 of the United States Code from the Federal Highway Administration. On July 25, 2018, \$1.2 billion of 2018 Series A GARVEE Refunding Notes were issued to refund a portion of the 2016 Series A GARVEE Notes.

Qualified Bonds

L. 1976, c. 38, as amended by *L. 2015, c. 95*, and *L. 1976, c. 39* (the "Acts") provide for the issuance of "Qualified Bonds" by municipalities and school districts. Whenever a local board of education or the governing body of a municipality determines to issue bonds, it may file an application with the Local Finance Board, and, in the case of a local board of education, also with the Commissioner of Education, to qualify bonds pursuant to the Acts. Upon approval of such application, the State Treasurer shall withhold from certain State appropriations of revenues or other State aid payable to the municipalities or appropriations of State school aid payable to the school district, as appropriate, an amount sufficient to pay debt service on such bonds. Additionally, with respect to Qualified Bonds issued by municipalities, a statutory lien and trust, superior to all other liens, automatically attaches to such appropriations, in favor of the holders of Qualified Bonds, for the sole purpose of paying debt service on the Qualified Bonds. These Qualified Bonds are not direct, guaranteed or moral obligations of the State, and debt service on such bonds will be paid by the State only to the extent that the State aid or State school aid has been appropriated by the State Legislature. As of June 30, 2019, the aggregate amounts of municipal and school district Qualified Bonds outstanding are \$1,351,347,443 and \$48,577,000, respectively.

Tobacco Settlement Asset-Backed Bonds

The State has transferred to the Tobacco Settlement Financing Corporation (the "Corporation"), a special purpose entity established pursuant to *L. 2002, c. 32* (the "Act"), the State's right to receive all tobacco settlement receipts (the "TSRs") to be received by the State after December 1, 2003 from the multi-state Master Settlement Agreement ("MSA") which settled litigation with the participating tobacco companies. In April 2018, the Corporation refunded all of its outstanding Tobacco Settlement Asset-Backed Bonds, Series 2007-1 with the proceeds of its Tobacco Settlement Bonds, Series 2018A (Senior) & 2018B (Subordinate). As of June 30, 2019, the Corporation has \$3,037,770,000 in outstanding bonds secured by TSRs.

STATE EMPLOYEES

Public Employer-Employee Relations Act

The State, as a public employer, is covered by the New Jersey Public Employer-Employee Relations Act, as amended (*N.J.S.A. 34:13A-1 et seq.*), which guarantees public employees the right to negotiate collectively through employee organizations certified or recognized as the exclusive collective negotiations representatives for units of public employees found to be appropriate for collective negotiations purposes. Approximately 60,803 full-time Executive Branch employees are paid through the State payroll system. Of the 60,803 employees, approximately 53,676 are represented by certified or recognized exclusive majority representatives and are organized into various negotiation units. There are twelve civilian units, ten of which presently represent more than 43,409 employees in the Executive Branch. The Health Care and Rehabilitation Services Unit is represented by the

American Federation of State, County and Municipal Employees ("AFSCME") and includes about 6,535 employees. The Administrative and Clerical Services Unit, the Primary Supervisory Unit, the Professional Unit and the Higher Level Supervisory Unit are all represented by the Communications Workers of America ("CWA") and include about 6,069 employees, 7,207 employees, 15,479 employees and 2,499 employees, respectively, for a total of 31,254 employees. The Crafts Unit, the Inspection and Security Unit, and the Operations, Maintenance and Services Unit are represented by the International Federation of Professional and Technical Engineers ("IFPTE") and the New Jersey State Motor Vehicle Employees Union, Service Employees International Union ("SEIU"), and combined include about 4,487 employees. The Deputy Attorneys General ("DAsG") unit and the State Government Managers ("Managers") Unit are both represented by the International Brotherhood of Electrical Workers ("IBEW") and include approximately 379 employees (represented by IBEW Local 33) and 754 employees (represented by IBEW Local 30), respectively. There are approximately 10,267 employees represented by twelve law enforcement units.

Negotiation Process

The New Jersey Public Employer-Employee Relations Act specifies a negotiation process for non-police and non-fire units which includes mediation and advisory fact-finding in the event of a negotiations impasse. This process is geared to the public employer's budget submission process. The economic provisions included in these negotiated agreements generally take effect at the beginning of each fiscal year or at other times provided in the agreements. Police and fire negotiations units may also submit to mediation and fact-finding in the event that negotiations with the State produces an impasse and the parties agree to do so, but where no agreement is achieved by exhaustion of these processes, police and fire units are additionally entitled to submit their final demands to binding interest arbitration. Approximately 10,267 State employees come under the binding interest arbitration process. Of the 10,267, approximately 2,862 are in the State Police.

Contract Status

The State has entered into a four-year contract for Fiscal Years 2020-2023 with the International Federation of Professional and Technical Engineers ("IFPTE") Local 195 and the Motor Vehicle Inspector Division of Local 32BJ SEIU, CTW, CLC. The contract provides for across the board salary increases of approximately 8.0% as follows: 2% in Fiscal Year 2020 (effective the first full pay period after October 1, 2019), 2% in Fiscal Year 2021 (effective the first full pay period after July 1, 2020), 2% in Fiscal Year 2022 (effective the first full pay period after July 1, 2021) and 2.0% in Fiscal Year 2022 (effective the first full pay period after April 1, 2022). Any full-time employee on the active payroll with an annual base salary under \$41,400 shall receive a cash bonus, not included in base salary, equal to the difference between the across the board increase on an annual salary of \$41,400 and the across the board increase of that employee's base salary. The cash bonus is paid in each year of the contract as long as the employee meets the eligibility requirements. Employees at step 10 who meet the eligibility requirements under the contract will receive a bonus of at least \$750 in Fiscal Year 2022 and a \$750 bonus payment in Fiscal Year 2023, which is not to be included in such employees' base salary. Eligible employees will receive their normal increments within the policies of the State compensation plan. Any employee making less than \$75,000 is eligible to receive a clothing allowance (subject to certain criteria). The annual clothing allowance payment is \$550.

The State has entered into a four-year contract for Fiscal Years 2020-2023 with the CWA representing four (4) units. The contract provides for across the board salary increases of approximately 8.0% as follows: 2% in Fiscal Year 2020 (effective the first full pay period after October 1, 2019), 2% in Fiscal Year 2021 (effective the first full pay period after July 1, 2020), 2% in Fiscal Year 2022 (effective the first full pay period after July 1, 2021) and 2.0% in Fiscal Year 2022 (effective the first full pay period after April 1, 2022). Employees at step 10 who meet the eligibility requirements under the contract will receive at least a \$750 in Fiscal Year 2022 and a \$750 bonus payment in Fiscal Year 2023 which is not to be included in such employees' base salary. Eligible employees will receive their normal increments within the policies of the State Compensation Plan. Any employee making less than \$100,000 is eligible to receive a clothing allowance (subject to certain criteria). The annual clothing allowance payment is \$550.

The State has entered into a four-year contract for Fiscal Years 2020-2023 with the American Federation of State, County and Municipal Employees, AFL-CIO, AFSCME New Jersey Council 63 ("AFSCME"). The contract provides for across the board salary increases of approximately 8.0% as follows: 2% in Fiscal Year 2020 (effective

the first full pay period after October 1, 2019), 2% in Fiscal Year 2021 (effective the first full pay period after July 1, 2020), 2% in Fiscal Year 2022 (effective the first full pay period after July 1, 2021) and 2.0% in Fiscal Year 2022 (effective the first full pay period after April 1, 2022). Any full-time employee on the active payroll with an annual base salary under \$39,900 shall receive a cash bonus, not included in base salary, equal to the difference between the across the board increase on an annual salary of \$39,900 and the across the board increase of that employee's base salary. The cash bonus is paid in each year of the contract as long as the employee meets the eligibility requirements. Employees at step 10 who meet the eligibility requirements under the contract will receive a bonus of at least \$750 in Fiscal Year 2022 and a \$750 bonus payment in Fiscal Year 2023, which is not to be included in such employees' base salary. Eligible employees will receive their normal increments within the policies of the State compensation plan. Any employee making less than \$75,000 is eligible to receive a clothing allowance (subject to certain criteria). The annual clothing allowance payment is \$550.

The State has entered into a four-year contract for Fiscal Years 2016-2019 with the IBEW, Local 33, DAsG unit. The contract provides for across the board salary increases of 3.25% as follows: 0% in Fiscal Year 2016, 0% in Fiscal Year 2017, 1.75% in Fiscal Year 2018 and 1.50% in Fiscal Year 2019. Employees who are above the maximum step on the salary schedule will receive the increases as a lump sum payment, which will not be included in the base salary. Increments will be paid retroactive to July 1, 2015 to unit members who were eligible for an increment, but did not receive an increment on their anniversary date due to the increment freeze. Negotiations have commenced for a successor agreement to be effective on or after July 1, 2019.

The State has entered into a four-year contract for Fiscal Years 2016-2019 with the International Brotherhood of Electrical Workers, Local 30, State Government Managers' Unit (SGM Unit). The contract provides for across the board salary increases of 3.25% as follows: 0% in Fiscal Year 2016, 0% in Fiscal Year 2017, 1.75% in Fiscal Year 2018 and 1.50% in Fiscal Year 2019. Employees who are above the maximum step on the salary schedule will receive the increases as a lump sum payment, which shall not be included in the base salary. Increments will be paid retroactive to July 1, 2015 to unit members who were eligible for an increment, but did not receive an increment on their anniversary date due to the increment freeze. Negotiations have commenced for a successor agreement to be effective on or after July 1, 2019.

The State has entered into a four-year contract for Fiscal Years 2016-2019 with the Policemen's Benevolent Association Local 105 ("PBA 105"). The contract provides for a 2.5% across the board salary increase to step 10 only, effective the first full pay period after July 1, 2018. Employees who are not at step 10 will receive, if eligible, accelerated step increments, restoring increments that were not received in Fiscal Year 2016, Fiscal Year 2017 and Fiscal Year 2018, effective the first full pay period after July 1, 2018. There will be no retroactive payments for salary increments for the time period prior to the first full pay period after July 1, 2018. Normal increments shall be paid in Fiscal Year 2019 to eligible employees within the policies of the State Compensation Plan. Eligible employees will receive a lump-sum bonus payment, not to be included in base salary, in the amount of \$1,500, \$3,500 or \$6,000 subject to certain criteria set forth in the contract. During the term of the Agreement, eligible employees in the Department of Corrections and Juvenile Justice Commission receive a cash payment of \$917.50 twice a year in lieu of a uniform allowance. Negotiations have commenced for a successor agreement to be effective on or after July 1, 2019.

The State has entered into a four-year contract for Fiscal Years 2016-2019 with the New Jersey Investigators Association, State Fraternal Order of Police Lodge 174 ("NJIA" or "FOP Lodge 174"). This group was subject to the interest arbitration cap and the increases were within that cap. The contract provides for across the board salary increases as follows: Investigator title - 0% in Fiscal Year 2016, 0% in Fiscal Year 2017, 1% in Fiscal Year 2018, and 1.25% in Fiscal Year 2019. There shall be no step movement for the Investigator title during this contract term; Senior Investigator title steps 1-8: 0% in Fiscal Year 2016, 0% in Fiscal Year 2017, a dollar amount of \$3,435.19 was added to each step and then 1.75% in Fiscal Year 2018, and 1.75% in Fiscal Year 2019; Senior Investigator title steps 9-10: 0% in Fiscal Year 2016, 0% in Fiscal Year 2017, a dollar amount of \$4,435 was added to step 9 and \$5,600 was added to step 10 in Fiscal Year 2018 and then 1.9% in Fiscal Year 2018, and 1.9% in Fiscal Year 2019; and the Principal Investigator title - 0% in Fiscal Year 2016, 0% in Fiscal Year 2017, 1% in Fiscal Year 2018, and 1% in Fiscal Year 2019. Increments were paid retroactive to July 1, 2015 to unit members in the Senior Investigator and Principal Investigator titles who were eligible for an increment, but did not receive an increment on their anniversary date due to the increment freeze. Employees in the Department of Corrections and Juvenile Justice Commission receive a uniform and equipment allowance (subject to certain service requirements) of

\$700 and \$350, twice a year, respectively. Negotiations have commenced for a successor agreement to be effective on or after July 1, 2019.

The State has entered into a four-year contract for Fiscal Years 2016-2019 with the New Jersey Policemen's Benevolent Association State Law Enforcement Unit ("SLEU"). The contract provides for a 2.0% across the board salary increase to step 10 only, effective the last full pay period in June 2018 and a 2.0% across the board salary increase to steps 9 and 10, effective the first full pay period after July 1, 2018. Employees who are not at step 10 will receive, if eligible, accelerated step increments, restoring increments that were not received in Fiscal Year 2016, Fiscal Year 2017 and Fiscal Year 2018, effective the first full pay period after July 1, 2018. There will be no retroactive payments for salary increments for the time period prior to the first full pay period after July 1, 2018. Normal increments shall be paid in Fiscal Year 2019 to eligible employees within the policies of the State Compensation Plan. Eligible employees shall receive a uniform allowance (subject to certain service requirements) of \$1,560 a year. Negotiations have not yet commenced for a successor agreement to be effective on or after July 1, 2019.

The State has entered into a four-year contract for Fiscal Years 2016-2019 with the New Jersey Law Enforcement Supervisors Association ("NJLESA"). This group was subject to the interest arbitration cap and the increases were within that cap. The contract provides for a 2.0% across the board salary increase to step 10 only, effective the first full pay period after July 1, 2017. Employees in this unit, with the exception of Corrections Sergeants, receive a uniform allowance (subject to certain service requirements) in the amount of \$1,535 annually. Corrections Sergeants, in lieu of a uniform allowance, receive a cash payment of \$917.50, twice a year, during the term of this agreement. Negotiations have commenced for a successor agreement to be effective on or after July 1, 2019.

The State has entered into a four-year contract for Fiscal Years 2016-2019 with the New Jersey Superior Officers Law Enforcement Association ("NJSOLEA"). This group was subject to the interest arbitration cap and the increases were within that cap. The contract provides for across the board salary increases as follows: 0% in Fiscal Year 2016, 0% in Fiscal Year 2017, 1.75% in Fiscal Year 2018, and 1.32% in Fiscal Year 2019. Increments were paid retroactive to July 1, 2015 to unit members who were eligible for an increment, but did not receive an increment on their anniversary date due to the increment freeze. Employees in this unit, with the exception of Corrections Lieutenants, receive a uniform allowance (subject to certain service requirements) in the amount of \$1,535 annually. Corrections Lieutenants, in lieu of uniform allowance, receive a cash payment of \$917.50, twice a year, during the term of this agreement. Negotiations have commenced for a successor agreement to be effective on or after July 1, 2019.

The State has entered into a four-year contract for Fiscal Years 2016-2019 with the New Jersey Law Enforcement Commanding Officers Association ("NJLECOA"). This group was subject to the interest arbitration cap and the increases were within that cap. The contract provides for across the board salary increases: effective first full pay period after July 1, 2017 the base salary of Corrections Majors will increase by 4.55%; effective first full pay period after July 1, 2018 the base salary of Corrections Majors will increase by 4.01% (to a base salary of \$129,000); effective first full pay period after July 1, 2017 there shall be a 1.6% increase applied to step 10 of the salary guide for Correctional Police Captain, Juvenile Justice Commission; effective first full pay period after July 1, 2018 there shall be a 2.57% increase applied to step 10 of the salary guide for Correctional Police Captain, Juvenile Justice Commission; effective first full pay period after July 1, 2017 there shall be a 1.7% increase applied to step 10 of the salary guide for Supervising Conservation Officer; effective first full pay period after July 1, 2018 there shall be a 3.37% increase applied to step 10 of the salary guide for Supervising Conservation Officer; effective first full pay period after July 1, 2017 there shall be a 1.5% increase applied to step 10 of the salary guide for Supervising Parole Officer; effective first full pay period after July 1, 2018 there shall be a 1.5% increase applied to step 10 of the salary guide for Supervising Parole Officer; effective first full pay period after July 1, 2017 there shall be a 4.9% increase applied to step 9 of the salary guide for Chief Investigator, Parole & Secured Facilities and effective first full pay period after July 1, 2018 there shall be a 4.7% increase applied to step 9 of the salary guide for Chief Investigator, Parole & Secured Facilities. Employees in this unit receive a uniform allowance (subject to certain service requirements) in the amount of \$917.50, twice a year, during the term of this agreement. Negotiations have commenced for a successor agreement to be effective on or after July 1, 2019.

In October 2014, the State proceeded to Interest Arbitration with FOP Lodge 91, the State Investigators Unit, rank and file State Investigators and Detectives. An award for a five-year contract expiring on June 30, 2019 was issued in December 2014. That award was vacated by the Public Employment Relations Commission ("PERC") and remanded to the arbitrator. The revised remand award was issued on June 23, 2015 reinstating the original award with a few modifications to the wage increases. The State and FOP 91 appealed the remand award to PERC, which affirmed the award with a few modifications on September 3, 2015. FOP 91 appealed PERC's September 3, 2015 decision affirming the remand award to the Appellate Division and the State filed a cross-appeal. The decision on that appeal and cross appeal to the Appellate Division was issued on June 26, 2017. The contract term is July 1, 2014 through June 30, 2019. The award provided for the following increases: Fiscal Year 2015, a 1.0% increase to step 10 only for ranges Fiscal Year 2024 and Fiscal Year 2027 retroactive to January 1, 2015; Fiscal Year 2016, a 1.75% increase for all unit employees effective July 1, 2015; Fiscal Year 2017, a 0.50% increase for all unit employees effective July 1, 2016; Fiscal Year 2018, a 0.50% increase for all unit employees effective July 1, 2017; and Fiscal Year 2019, a 0.60% increase for all unit employees effective July 1, 2018. Payment of increments was restored. Negotiations have commenced for a successor agreement to be effective on or after July 1, 2019.

The State has entered into a five-year contract for Fiscal Years 2015-2019 with the N.J. Division of Criminal Justice Non-Commissioned Officers Association, Sergeant, State Investigator Unit, Department of Law and Public Safety. This group was subject to the interest arbitration cap and the increases were within that cap. The contract provides for across the board salary increases as follows: 2% in Fiscal Year 2015, 2% in Fiscal Year 2016, 2% in Fiscal Year 2017, 1% in Fiscal Year 2018 and .43% in Fiscal Year 2019. Increments to employees in this unit never ceased. Retroactive to January 1, 2015, employees in this unit receive a uniform allowance in the amount of \$300 annually. Negotiations have commenced for a successor agreement to be effective on or after July 1, 2019.

The State has entered into a five-year contract for Fiscal Years 2015-2019 with the N.J. Division of Criminal Justice Superior Officers Association, Lieutenant, State Investigator Unit, Department of Law and Public Safety. This group was subject to the interest arbitration cap and the increases were within that cap. The contract provides for across the board salary increases as follows: 1.5% in Fiscal Year 2015, 1.5% in Fiscal Year 2016, 1% in Fiscal Year 2017, 1% in Fiscal Year 2018 and .53% in Fiscal Year 2019. Increments to employees in this unit never ceased. Retroactive to January 1, 2015, employees in this unit receive a uniform allowance in the amount of \$300 annually. Negotiations have commenced for a successor agreement to be effective on or after July 1, 2019.

The State has entered into a two-year contract for Fiscal Year 2018-2019 with the State Troopers Fraternal Associations ("STFA-Troopers") The contract provides for a 1.25% across the board salary increase to step 9 only, effective the first full pay period after July 1, 2018. Employees who are not at top pay will receive, if eligible, accelerated step increments, restoring increments that were not received in Fiscal Year 2016, Fiscal Year 2017 and Fiscal Year 2018, effective March 31, 2018. There will be no retroactive payments for salary increments for the time period prior to March 31, 2018. Normal increments shall be paid in Fiscal Year 2019 to eligible employees within the policies of the State Compensation Plan. Maintenance allowance increased to \$14,649.03 effective November 1, 2018. Negotiations have commenced for a successor agreement to be effective on or after July 1, 2019.

The State and State Troopers Non-Commissioned Officers Association ("STNCOA-Sergeants") were parties in an interest arbitration proceeding for the successor agreement to the contract that expired on June 30, 2012. The interest arbitration award was issued on January 31, 2016. The successor agreement had a term of July 1, 2012 through June 30, 2017. There was a 1% across the board increase, not compounded, at each step and rank effective July 1, 2013, July 1, 2014, July 1, 2015 and July 1, 2016. The salaries for the years 2013, 2014 and 2015 were paid retroactively. Effective the first full pay period after July 1, 2016, there was a 1.25% increase to the maintenance allowance. Negotiations have commenced for a successor agreement to be effective on or after July 1, 2017.

The State and the State Troopers Superior Officer Association ("STSOA-Lieutenants and Captains") entered into a five-year successor agreement to the contract that expired on June 30, 2012. The successor agreement had a term from July 1, 2012 through June 30, 2017. There was a 1% across the board increase, not compounded, at each step and rank effective July 1, 2013, July 1, 2014, July 1, 2015 and July 1, 2016. Effective the first full pay period after July 1, 2016, there was a 1.25% increase to the maintenance allowance. Effective the first full pay

period after July 1, 2016, the Captain single rate was increased to \$129,213.18. Negotiations have commenced for a successor agreement to be effective on or after July 1, 2017.

STATE FUNDING OF PENSION PLANS

Background

General. The State sponsors and operates seven defined benefit pension plans (the "Pension Plans"), which fund retirement benefits for almost all of the public employees of the State. The Pension Plans will fund those retirement benefits from their assets, earnings on their assets, contributions by the State and contributions from Pension Plan members. Local governments within the State participate as employers sponsoring two of the Pension Plans. In both of these Pension Plans, the assets that the State and the local governments contribute are invested together and generate one investment rate of return. However, both of these Pension Plans segregate the active and retired members and the related actuarial liabilities between the State and the local governments. The following description of the State's funding of the Pension Plans solely relates to the State's portion of the Pension Plans.

Financial Condition of the Pension Plans. As a result of lower-than-recommended contributions by the State to the Pension Plans for an extended period, lower than assumed investment returns on an actuarial basis, benefit enhancements enacted during the late 1990s and early 2000s, and reductions in member contributions, the Pension Plans experienced a deterioration in their financial condition. As a result, the State believes that, in addition to the existing assets of the Pension Plans, the expected earnings on those assets, and contributions from members of the Pension Plans, the State will need to make significantly larger contributions to the Pension Plans in the future to ensure that the Pension Plans will have a sufficient amount of assets to fund expected retirement benefits.

The State has followed a funding policy for the Pension Plans for several Fiscal Years, which is to increase its contribution to the Pension Plans by 10% of the actuarially recommended contribution each Fiscal Year until the State contributes 100% of the actuarially recommended contribution, which is expected to occur in the Fiscal Year ending June 30, 2023, and then to contribute the full actuarially recommended contribution for each Fiscal Year thereafter. For the Fiscal Year ending June 30, 2020, the State is expecting to contribute 70% of the actuarially recommended contribution. The State contributed its Lottery Enterprise (which is defined and explained below) to the Pension Plans as of June 30, 2017 and the State's contributions to the Pension Plans are offset each Fiscal Year by a statutorily fixed amount until the Fiscal Year ending June 30, 2023, when the amount of the State's contributions will be offset by a lower amount designed to increase the funded ratio of the Pension Plans.

State's Contributions. The State makes contributions to the Pension Plans under the State statutes and such contributions are subject to the appropriation of the State Legislature and actions by the Governor. Under the Pension Contribution Act, the State, beginning in Fiscal Year 2018, is required to make its contributions to the Pension Plans in quarterly installments on September 30, December 31, March 31 and June 30. The State has contributed the Lottery Enterprise to three of the Pension Plans under the LECA, pursuant to which the net proceeds of the Lottery Enterprise are available to pay retirement benefits of the applicable Pension Plans without further action by the State Legislature or the Governor.

Prospective Financial Information of Pension Plans

The following sets forth a projection of the financial condition of the Pension Plans, contributions from the State, contributions from members of the Pension Plans, and other related information. The following information constitutes forward-looking information and does not represent a prediction of actual results. It is based on numerous assumptions and methodologies and actual results will likely differ. Investors should read carefully all of the footnotes to the following table and the related cross-references to understand the assumptions and methodologies upon which the following information is based.

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**AGGREGATE PROJECTED ANNUAL CASH FLOWS
AND NET VALUE OF ASSETS OF STATE'S PORTION OF PENSION PLANS**
Fiscal Year Ending June 30, 2020 through June 30, 2049
(In Millions)

Fiscal Year Ending (June 30)	Beginning Value of Net Assets ⁽¹⁾	Member Contributions ⁽²⁾	State Contributions ⁽³⁾⁽⁴⁾	Lottery Net Proceeds ⁽⁵⁾	Investment Earnings ⁽⁶⁾	Benefit Payments ⁽⁷⁾	Ending Value of Net Assets
2020	\$ 31,077	\$1,240	\$2,570	\$1,072	\$2,078	\$ 7,071	\$ 30,966
2021	30,966	1,258	3,341	1,086	2,085	7,243	31,494
2022	31,494	1,275	4,049	1,099	2,136	7,406	32,647
2023	32,647	1,292	5,235	1,112	2,243	7,567	34,962
2024	34,962	1,309	5,296	1,125	2,402	7,730	37,364
2025	37,364	1,326	5,353	1,139	2,567	7,888	39,863
2026	39,863	1,343	5,405	1,153	2,739	8,048	42,455
2027	42,455	1,365	5,449	1,167	2,917	8,218	45,135
2028	45,135	1,392	5,476	1,180	3,101	8,388	47,897
2029	47,897	1,420	5,496	1,190	3,291	8,550	50,743
2030	50,743	1,449	5,513	1,202	3,486	8,712	53,680
2031	53,680	1,478	5,521	1,214	3,687	8,882	56,698
2032	56,698	1,508	5,511	1,226	3,894	9,049	59,789
2033	59,789	1,538	5,501	1,238	4,106	9,208	62,964
2034	62,964	1,570	5,489	1,251	4,324	9,363	66,235
2035	66,235	1,603	5,472	1,264	4,549	9,514	69,610
2036	69,610	1,639	5,458	1,276	4,782	9,647	73,118
2037	73,118	1,676	5,446	1,289	5,025	9,765	76,788
2038	76,788	1,714	5,436	1,302	5,280	9,868	80,653
2039	80,653	1,755	5,430	1,315	5,549	9,955	84,747
2040	84,747	1,797	5,428	1,329	5,835	10,032	89,104
2041	89,104	1,842	5,428	1,342	6,140	10,094	93,762
2042	93,762	1,888	5,433	1,356	6,466	10,144	98,762
2043	98,762	1,936	5,443	1,369	6,817	10,192	104,134
2044	104,134	1,985	5,455	1,383	7,194	10,228	109,923
2045	109,923	2,035	5,474	1,397	7,601	10,275	116,154
2046	116,154	2,085	5,493	1,411	8,038	10,333	122,848
2047	122,848	2,137	5,513	1,425	8,507	10,396	130,034
2048	130,034	2,190	6,407	0	8,983	10,466	137,149
2049	137,149	2,245	6,433	0	9,481	10,548	144,760

(1) Beginning value of net assets represents the projected value of the State's portion of Pension Plan net assets at the beginning of each Fiscal Year. Net assets equal the full market value of assets at the beginning of the Fiscal Year less member and employer contribution receivables included in the full market value of assets. The beginning value of net assets for Fiscal Year ending June 30, 2020 includes a Lottery Contribution of \$1.100 billion for the Fiscal Year ending June 30, 2019, and the net value of assets for future Fiscal Years are adjusted for the Lottery Contribution from net proceeds of the Lottery Enterprise (the projection of which are reflected under the column Lottery Net Proceeds). Projected net proceeds of the Lottery Enterprise are based on projections prepared prior to the enactment of LECA. See "—Lottery Enterprise Contribution Act" below.

(2) Represents contributions from members of the State's portion of the Pension Plans at current statutory contribution rates. Under the State statute, State employees make contributions to the Pension Plans ranging from 7.5% to 12% of their salary. The level of these contributions in the future could be changed through subsequent legislation.

(footnotes continue on next page)

- Continued Obligations: Pension and PFRS
- (3) Represents projected contributions by the State. The projected contributions by the State are assumed to follow the current funding policy of the State, which is to increase its contribution to the Pension Plans by 10% of the actuarially recommended contribution each Fiscal Year until the State contributes 100% of the actuarially recommended contribution, which is expected to occur in Fiscal Year ending June 30, 2023, and then to contribute the full actuarially recommended contribution for each Fiscal Year thereafter. The projected State contribution amounts reflect the annual credit against the actuarially recommended contribution pursuant to LECA. The annual credit, referred to as the Special Asset Adjustment, is a fixed dollar amount through Fiscal Year 2022. After Fiscal Year 2022, the Special Asset Adjustment will be determined each year based on an amortization of the then-current value of the Lottery Enterprise over the remaining term of the Lottery Enterprise Contribution. For purposes of this projection only, beginning in Fiscal Year 2023, the Special Asset Adjustment is calculated based on a 30-year amortization of the initial estimated value of the Lottery Enterprise of \$13.535 billion determined prior to the enactment of the LECA. The Lottery Enterprise must be revalued at least every five years, with the first reevaluation occurring in 2022. The amount of the Special Asset Adjustment applied against the actuarial determined contribution will either increase or decrease based on the revaluation of the Lottery Enterprise. For further information, see "Lottery Enterprise Contribution Act – Special Asset for Actuarial Calculation Purposes" below. Actual contributions are subject to appropriation by the State Legislature and have varied substantially over the last several years. See "—State's Financial Responsibility and Contributions to the Pension Plans" below.
 - (4) Does not include contributions that the State makes in respect to local governmental participation in the Pension Plans. In connection with increases in retirement benefits in the local governmental portion of the Pension Plans, the State has undertaken to make contributions to pay for a portion of the impact of those retirement benefits. In Fiscal Year 2020, the State expects that this amount is equal to \$164.4 million.
 - (5) Lottery Net Proceeds represent projected net proceeds from the Lottery Enterprise. See "—Lottery Enterprise Contribution Act" below. These projections were prepared in 2017 prior to the enactment of LECA by the Lottery Division. Through 2029, these projections are consistent with the Division's management services agreement for sales and marketing with Northstar NJ and have not been updated since then. Prior to the enactment of the LECA, the projections were vetted by Bank of America Merrill Lynch, the State's Advisor for the lottery transaction, and Acacia Financial Group, an independent third party valuation service provider. Although these projections have not been updated, the State believes the projected Lottery Net Proceeds estimates are still reasonable.
 - (6) The projection of investment earnings is based on the ultimate assumed rate of return of assets of the State's portion of the Pension Plans, which is 7.0%. For valuation of the liabilities, the State plans to lower the assumed rate of return over the next three (3) years as follows: from 7.5% to 7.3% beginning with the July 1, 2019 actuarial valuation and from 7.3% to 7.0% beginning with the July 1, 2021 actuarial valuation. See "—Actuarial Valuations and Actuarial Funded Status of Pension Plans—Assumptions used in Actuarial Valuations" below.
 - (7) Benefit payments represent projected retirement benefit payments by the State's portion of the Pension Plans to current and future retired members over the forecasted period. The amounts of projected retirement benefits are based on the various applicable benefit formulas as well as numerous assumptions and methodologies made by the actuaries of the Pension Plans. Key assumptions include, among others, demographic assumptions relating to periods of employment, ages of retirement and life expectancy of members and economic assumptions such as salary growth and inflation. In addition, these projections use methodologies to calculate projected retirement benefits. As opposed to how the actuaries prepare the actuarial valuations, the projected benefit payments also include an estimate of the amount of retirement benefits that members are likely to earn in the future. In addition, the projected benefit payments assume that the State does not increase or enhance retirement benefits during the forecasted period. Under pension reforms, the State has created committees that are authorized to make some specified increases in retirement benefits for Pension Plans that achieve specified levels of funding status. The projected benefit payments assume that none of those retirement benefits are increased although the State, based on the assumptions of the projections above, expects that several of the Pension Plans will achieve the specified levels of funding status. With respect to PFRS, the projection also assumes that the New PFRS Board that was established pursuant to *L. 2018, c. 55*, will not increase or enhance benefits during the forecasted period. See "—Actuarial Valuations and Actuarial Funded Status of Pension Plans—Assumptions used in Actuarial Valuations" and "—Methodologies used in Actuarial Valuations" below. See also "—Background – Legislative Change Impacting PFRS."

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State's Pension Plan Funding Policy

Historical Funding Policy. The level of the State's annual contributions has significantly varied since the 1990's. In some years, the State's contributions to the Pension Plans have been minimal or none. In other years, the State has contributed a percentage of the actuarially recommended contribution. For a description of the calculation of actuarially recommended contributions, see "—Actuarial Valuations and Actuarial Funded Status of Pension Plans" below. The following sets forth the State's aggregate annual contributions to the Pension Plans for Fiscal Years ended June 30, 1997 through June 30, 2019, together with a comparison of those contributions to the actuarially recommended contributions:

AGGREGATE STATE CONTRIBUTIONS TO PENSION PLANS For the Fiscal Years Ending June 30, 1997 through June 30, 2019⁽¹⁾ (In Millions)

Fiscal Year Ending June 30,	Actuarial Recommended Contributions	Actual Contributions	Percentage ⁽²⁾
State			
1997 ⁽³⁾	\$ 297.6	\$ 104.6	35%
1998	443.9	90.2	20
1999	511.4	284.2	56
2000	583.4	63.7	11
2001	629.6	0.0	0
2002	654.8	0.6	0
2003	663.0	10.4	2
2004	783.2	26.4	3
2005	1,066.2	61.1	6
2006	1,450.8	164.4	11
2007	1,778.6	1,023.2	58
2008	2,089.8	1,046.1	50
2009	2,230.7	106.3	5
2010	2,518.8	0.0	0
2011	3,060.5	0.0	0
2012	3,391.4	484.5	14
2013	3,600.2	1,029.3	29
2014	3,691.2	699.4	19
2015	3,935.4	892.6	23
2016	4,353.5	1,307.1	30
2017	4,663.1	1,861.6	40
2018 ⁽⁴⁾	5,017.9	2,484.1	50 ⁽⁵⁾
2019	5,352.2	3,276.0	60 ⁽⁶⁾

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits. Information regarding the actuarially recommended contributions of the State was derived from the actuarial valuation reports as of July 1, 1995 through July 1, 2017. Information regarding the actual contributions of the State for Fiscal Years 1997 through 2019 was provided by the Division of Pensions and Benefits. Does not include the Lottery Contribution. See "—Lottery Enterprise Contribution Act" below.

- (1) For all pension plans, the State contributions relating to an actuarial valuation as of the end of a fiscal year are made in the second succeeding fiscal year. For example, the State's actuarial recommended contribution for Fiscal Year 2019 was determined in the actuarial valuation as of July 1, 2017.
- (2) Percentage of actual contributions by the State to the Pension Plans to the actuarially recommended contribution for the applicable Fiscal Year. Percentages may not be exact due to rounding.
- (3) As a result of the enactment of L. 1997, c. 114, the Pension Plans received a contribution of \$2.75 billion from the sale of pension obligation bonds by NJEDA, which, pursuant to statute, was applied toward the State's share of the unfunded pension liabilities.
- (4) The actual contribution consists of the State's contribution of \$1.508 billion and Lottery Net Proceeds of \$976 million.

(footnotes continue on next page)

- (5) The State planned to make a \$2.509 billion pension contribution for Fiscal Year 2018 representing 50% of the full actuarial recommended contribution of \$5.018 billion. The State made a \$1.508 billion general fund appropriation and \$1.001 billion of Lottery Net Proceeds were expected to be transferred to the eligible Pension Plans. While actual lottery proceeds matched targeted levels, a small percentage of the actual Lottery Net Proceeds in Fiscal Year 2018 pertained to prior year unclaimed prizes. Since these proceeds were earned prior to the enactment of LECA, the State determined that the eligible Pension Plans were not entitled to such proceeds, which lowered the actual Lottery Net Proceeds realized to \$976 million. As a result of this technical adjustment, the State's total contribution to the Pension Plans for Fiscal Year 2018 was slightly less than the 50% planned contribution.
- (6) For purposes of calculating the percentage of the State's contribution relative to the actuarially recommended contribution, the State adds the sum of the State's contribution of \$2.176 billion and the Lottery Net Proceeds of \$1.100 billion. As a result of higher than expected Lottery Net Proceeds in Fiscal Year 2019, the overall funded percentage was slightly greater than 60%.

Fiscal Year 2020 Contribution and Prospective Funding Policy. Since the Fiscal Year ended June 30, 2016, the State has followed a Pension Plan funding policy of increasing its contribution to the Pension Plans by approximately 10% of the actuarially recommended contribution each Fiscal Year until it reaches the full actuarially recommended contribution, which is expected to occur in the Fiscal Year ending June 30, 2023, and then to fund the full actuarially recommended contribution in all subsequent Fiscal Years. Since the adoption of LECA, the State calculates its contribution under this funding policy by applying the Fiscal Year's percentage of the actuarially recommended contribution (which, for Fiscal Year 2020, is 70%), and then reducing the amount of the State's contribution by the Special Asset Adjustment (which is defined and explained below under "Lottery Enterprise Contribution Act"). For Fiscal Year 2020, the State is expected to make a contribution to the Pension Plans equal to \$2,736.6 million. This contribution was calculated by multiplying the actuarially recommended contribution applicable to contributions in Fiscal Year 2020 (which is \$5,438.7 million) by 70% (which is the percentage of the actuarially recommended contribution applicable to Fiscal Year 2020 under the State's Pension Plan funding policy), which equals a total contribution of \$3,807.1 million, and then reducing that amount by the Special Asset Adjustment, as defined herein. While the State's contribution is reduced by the Special Asset Adjustment, from a pension funding perspective, that reduction is expected to be offset by the net proceeds of the Lottery Enterprise that began flowing to the Pension Plans at the start of Fiscal Year 2018. For a more detailed discussion, see "Lottery Enterprise Contribution Act" below. Under the State's current Pension Plan funding policy, a similar calculation will be made in each future Fiscal Year. Since the actual level of contributions by the State to the Pension Plans is subject to appropriation by the State Legislature, the actual level of contribution is subject to change each Fiscal Year depending on appropriations by the State Legislature, changes to State statutes by the State Legislature, and actions by the Governor.

Membership, Benefits and Governance of the Pension Plans

Membership of Pension Plans. Almost all of the public employees of the State and its counties, municipalities and political subdivisions are members of pension plans administered by the State. Listed in order of active membership based on the most recent actuarial valuation reports dated July 1, 2018, the Pension Plans and their active and retired membership are as follows:

Plan	Membership at June 30, 2018	
	Active	Retired
Public Employees' Retirement System ("PERS")	252,598	179,357
Teachers' Pension and Annuity Fund ("TPAF")	155,496	104,922
Police and Firemen's Retirement System ("PFRS")	42,295	44,609
State Police Retirement System ("SPRS")	2,713	3,405
Judicial Retirement System ("JRS")	453	618
Consolidated Police and Firemen's Pension Fund ("CP&FPF")	—	62
Prison Officers' Pension Fund ("POPF")	—	71
Total	453,555	333,044

From June 30, 2013 to June 30, 2018, the total number of active members of all of the State-administered plans decreased by 13,871 or 3.0%, and the total number of retired members increased by 38,190 or 13.0%.

Local Government Pension Plans. The State is not the only employer sponsoring PERS and PFRS. Local governments within the State participate as employers. In both of these Pension Plans, the assets that the State and the local governments contribute are invested together and generate one investment rate of return. However, both of these Pension Plans segregate the active and retired members and the related actuarial liabilities between the State and the local governments. As of June 30, 2018, those members of the PERS and PFRS for which the State is responsible for making contributions were, with respect to PERS, 77,998 active members and 58,725 retired members and, with respect to PFRS, 7,169 active members and 6,679 retired members. In connection with increases in retirement benefits in the local governmental portion of the Pension Plans, the State has undertaken to make contributions to pay for a portion of the impact of those retirement benefits.

Benefits. Almost all State employees participate in one of the Pension Plans, with eight to ten years of employment required before retirement benefits become vested. The level of retirement benefits varies among the different Pension Plans and is calculated based on a member's years of service, compensation and age of retirement. State law provides that the retirement benefits of the Pension Plans are not subject to negotiations between the State and other public employers and the employee members of the Pension Plans. The State Legislature has in the past adopted laws that increased the retirement benefits payable by the Pension Plans and may do so in the future.

Governance. The Pension Plans were established by various State laws between January 1, 1941 and June 1, 1973. These Pension Plans are overseen and administered by the State of New Jersey, Division of Pensions and Benefits within the Department of the Treasury. Each Pension Plan has a board of trustees and related committees in which is vested the general responsibility for the proper operation of the Pension Plan. The Division of Pensions and Benefits is responsible for all administrative and financial functions of the Pension Plans except for the investment of the pension assets, which is the responsibility of the Division of Investment. The rules and regulations governing the operation and administration of the Pension Plans are set forth in State law and regulations.

With respect to PFRS, the State Legislature adopted *L. 2018, c. 55* in July 2018, which transferred management of PFRS from the New Jersey Department of the Treasury, Division of Pensions and Benefits to a newly constituted twelve-member PFRS Board of Trustees (the "New PFRS Board"). The New PFRS Board, which was established in February 2019 per the legislation, has more powers and authority as compared to the former PFRS Board of Trustees. In addition to overseeing the management of PFRS, the New PFRS Board will also have the authority to direct investment decisions, to adjust current benefit levels and to change member and employer contribution rates. With regard to changes to current benefit provisions, such changes can only be made with the approval of a supermajority of eight (8) of the twelve (12) members of the New PFRS Board. Also, benefit enhancements can only be made if an independent actuary certifies that the benefit enhancement will not jeopardize the long-term viability of PFRS. Under prior law, benefit enhancements, including the reinstatement of cost-of-living adjustments for retirees, could only be considered when the funded level of the pension fund reached 80%. An actuarial certification was also required that the funded levels would remain at or above 80% over a 30-year period following the benefit enhancement.

The New PFRS Board consists of twelve (12) members with seven (7) employee representatives (including three (3) active policemen, three (3) active firemen, and one (1) retiree), and five (5) employer representatives (four (4) municipal or county government officials and one current or former member of the Executive Branch).

Pension Plan Assets

As of June 30, 2018, the State's portion of the market value of assets in the Pension Plans is \$36.1 billion, which amount does not include the value of the Lottery Contribution. See "—Lottery Enterprise Contribution Act" below. The Division of Investment of the New Jersey Department of the Treasury invests the cash and investments of the Pension Plans. State law and State Investment Council regulations regulate the types of investments which are permitted. The State Investment Council is responsible for formulating the policies that govern the methods, practices and procedures for investments, reinvestments, sale or exchange transactions to be followed by the Director of the Division of Investment. However, pursuant to *L. 2018, c. 55*, responsibility for formulating investment policies and directing the investment activities of the assets of the PFRS will be transferred from the State Investment Council to the recently established PFRS Board. The PFRS Board has not yet formulated investment policies for their plan, but has proposed regulations for adoption governing the methods, practices, and

procedures for investment or reinvestments of moneys of the PFRS. Upon adoption of the proposed regulations, the PFRS Board will assume full responsibility for the formulation, establishment, amendment, modification, or repeal of any policy, procedure, method, or practice on the investment or reinvestment of moneys of the PFRS. See "STATE FUNDING OF PENSION PLANS - *Legislative Change Impacting PFRS*" herein.

Lottery Enterprise Contribution Act

In accordance with the Lottery Enterprise Contribution Act, *L. 2017, c. 98* ("LECA"), and a Memorandum of Lottery Contribution dated July 5, 2017 and effective as of June 30, 2017 (the "MOLC"), executed by the State Treasurer and acknowledged by the Director of the Division of Investment, New Jersey Department of the Treasury, the State's lottery and related assets, including intellectual property, (the "Lottery Enterprise") was contributed to TPAF, PERS, and PFRS for a 30-year term (the "Lottery Contribution"). Under LECA, the Department of the Treasury, Division of the State Lottery ("State Lottery Division") will continue to operate the Lottery Enterprise with a goal of maximizing net proceeds for the benefit of the applicable Pension Plans. Starting on October 1, 2013, Northstar New Jersey Lottery Group, LLC ("Northstar NJ") officially began a 15-year contract to provide growth management services to the State Lottery Division. The Northstar NJ contract, which will remain in effect through the end of Fiscal Year 2029, contains incentives for the vendor to maximize net proceeds while reducing downside risk through minimum payment requirements imposed on the vendor.

Neither LECA nor the MOLC contain a provision permitting the termination of the contribution prior to the end of the 30-year term of the contribution. However, a future Legislature could pass legislation to reverse the contribution prior to the expiration of its term. Any termination of the Lottery Contribution could implicate the exclusive benefit rule of the Internal Revenue Code, which requires the assets of the Pension Plans to exist for the exclusive benefit of their members in order for the Pension Plans to qualify for the favorable tax treatment under the Internal Revenue Code. Based on a 1996 settlement with the Internal Revenue Service, the State's Pension Plan statutes include the exclusive benefit provisions required by the Internal Revenue Code. The term of the contribution of the Lottery Enterprise will expire at the start of Fiscal Year 2048, and the Lottery Enterprise will revert back to the State at that time.

Lottery Enterprise – Valuation. For the purpose of determining a fair value of the contribution of the Lottery Enterprise, Acacia Financial Group was hired as an Independent Valuation Service Provider by the New Jersey Department of the Treasury. The Independent Valuation Service Provider applied The Actuarial Standard of Practice No. 44 of the Actuarial Standards Board (the "ASOP-44"). For Assets that are Difficult to Value, such as the Lottery Enterprise, ASOP-44 provides that, if audited financial statements do not provide an appropriate market value, and there are no recent sales of similar assets to provide a market value, the present value of reasonably expected future cash flows may be treated as market value under this standard. The Independent Valuation Service Provider determined the fair value by using the financial projections provided by Northstar NJ, for Fiscal Years 2018 through 2029. Estimates for Fiscal Years 2030 through 2048 assumed a 1.0 percent annual growth rate.

Using this valuation methodology, the contribution of the Lottery Enterprise is expected to generate an estimated \$37 billion for the Pension Plans over 30-year term of the Lottery Contribution. The Independent Valuation Service Provider applied a 7.65% discount factor, which was the same as the assumed actuarial rate of return on the Pension Fund, and arrived at a fair market value for the Lottery Enterprise of \$13.535 billion as of June 30, 2017. Pursuant to LECA, the Lottery Enterprise is to be re-valued at least every five years and, in the absence of a revaluation, the Lottery Enterprise will be depreciated on a straight-line basis over the remaining term of the contribution based on the most recent valuation. At the end of the 30-year term of the contribution, the value of the Lottery Enterprise will have been depreciated to zero with respect to the Pension Plans. The valuation report of the Independent Valuation Service Provider and other documents relating to the Lottery Enterprise are available at the following website: <http://www.state.nj.us/treasury/njletransparency.shtml>. No information on the website is incorporated by reference into this Appendix I.

Allocation of Contribution amongst the Pension Plans. LECA defines which Pension Plans are eligible to receive a percentage of the contribution by virtue of their members' past or present employment in State schools and State institutions, in keeping with the Constitutional dedication of net lottery proceeds for those purposes. Pursuant to LECA, the applicable Pension Plans were allocated a percentage of the contributed Lottery Enterprise as follows: 77.78% to TPAF, 21.02% to eligible members of PERS, and 1.20% to eligible members of PFRS. Under LECA and

the terms of the MOLC, these “Allocable Percentages” are not subject to adjustment during the term of the contribution of the Lottery Enterprise to the applicable Pension Plans.

Deposit of the Lottery Enterprise Contribution into Common Pension Fund L. For the purpose of depositing the Lottery Contribution made to the Eligible Pension Plans, LECA established Common Pension Fund L within the Division of Investment. During the term of the contribution, all new assets acquired by or for the Lottery Enterprise will be owned by Common Pension Fund L for the benefit of the applicable Pension Plans. Within Common Pension Fund L are two subaccounts, the “Operations Account” and the “Investment Account”. Gross proceeds generated by the Lottery Enterprise are deposited into the Operations Account. The State Lottery Division is solely responsible for managing the Operations Account, including payment of costs incurred in the operation and administration of the Lottery Enterprise such as payment of prizes, reimbursement of funds used to pay expenses and payment for Lottery sales agent commissions, payment of certain prizes paid by Lottery sales agents and reserves for payment of prizes. Proceeds in amounts determined by the State Lottery Division are transferred to the Investment Account from the Operations Account on a periodic basis (no less than monthly). Such proceeds constitute the net proceeds of the Lottery Enterprise, and together with all investments thereof and investment earnings thereon are solely available to and for the benefit of the applicable Pension Plans. The Investment Account will be managed and invested by the Director of the Division of Investment, subject to the oversight of the State Investment Council. The Director of the Division of Investment has full discretion to distribute proceeds and all investments thereof and investment earnings thereon from the Investment Account to satisfy retirement benefits of the applicable Pension Plans.

Pursuant to LECA, during the term of the Lottery Contribution, no less than 30 percent of the gross proceeds of the Lottery Enterprise shall be deposited to the Investment Account to be used by each applicable Pension Plan for payments of retirement benefits to eligible members or to be invested on behalf of the applicable Pension Plan by the Director of the Division of Investment.

Special Asset for Actuarial Calculation Purposes. During the term of the Lottery Contribution, the current methodology for amortizing the UAAL of the applicable Pension Plans and calculating the actuarially recommended contribution remains in place for all assets and liabilities of the applicable Pension Plans except for the Lottery Enterprise. In accordance with LECA, for actuarial purposes, the Lottery Enterprise is considered a “Special Asset”, the value of which is reflected in an annual adjustment (the “Special Asset Adjustment”) to the State’s contribution to the applicable Pension Plan, calculated pursuant to LECA. Under LECA, the Special Asset Adjustment is fixed for the first five Fiscal Years as set forth in the chart below. Unlike the amount of the Special Asset Adjustment after the first five Fiscal Years, the Special Asset Adjustment in the first five Fiscal Years was not reduced so that it would minimize the impact of the Lottery Contribution on the State’s General Fund budget during that period.

ANNUAL SPECIAL ASSET ADJUSTMENT
For the Fiscal Years Ending June 30, 2018 through June 30, 2022

<u>Fiscal Year Ending (June 30)</u>	<u>Special Asset Adjustment</u>
2018	\$1,000,976,874
2019	1,037,148,584
2020	1,070,451,102
2021	1,084,354,841
2022	1,095,871,137

Starting in Fiscal Year 2023, the Special Asset Adjustment is determined by a level-dollar amortization of the then-current Lottery Enterprise value over the remaining term of the contribution at the regular interest rate applicable to the applicable Pension Plan, multiplied by a stated Adjustment Percentage. The Special Asset Adjustment will not exceed in any year the Maximum Special Asset Adjustment stipulated in the LECA. The purpose of the Adjustment Percentage is to create a lower Special Asset Adjustment, which will increase projected amounts to be contributed to the applicable Pension Plans, and to achieve higher projected funded ratios; provided the State follows its current Pension Plan funding policy. Additionally, LECA includes a mechanism to further reduce the Adjustment Percentage if an applicable Pension Plan’s funded ratio drops below 50 percent. The Adjustment Percentage is unaffected by the performance of the Lottery Enterprise during the term of the Lottery

Contribution. A future Legislature may change any or all of the provisions of the LECA for all, or some, of the term of the Lottery Contribution.

Impact of the Value of the Lottery Enterprise Contributed upon the Pension Plans' Funded Ratio. The contribution of the Lottery Enterprise is valued as of June 30, 2019 at \$12.623 billion, based on a 30-year straight line amortization. However, the first reevaluation of the value of the Lottery Enterprise required by LECA has not yet been performed. If the contribution of the Lottery Enterprise were not taken into consideration in calculating the funded ratio of the Pension Plans, the funded ratio of the Pension Plans as of June 30, 2018 would have been 40.9 percent instead of 54.4 percent. See –Actuarial Valuations and Actuarial Funded Status of Pension Plans—Historical Statutory Funding Status” below.

Actuarial Valuations and Actuarial Funded Status of Pension Plans

General. State law requires that all Pension Plans must conduct an actuarial valuation as of the end of each fiscal year. The actuarial valuations of the Pension Plans have historically served a critical role in determining the appropriate contribution level of the State to the Pension Plans through their calculations of an actuarially recommended contribution (which is discussed in more detail below). In many years in which the State did not contribute the actuarially recommended contribution, it still sought to contribute a percentage of the actuarially recommended contribution. In addition, the State's current Pension funding policy provides for its contribution, when added to the Special Asset Adjustment from the Lottery Net Proceeds under LECA, to represent a percentage of the actuarially recommended contribution (70% for Fiscal Year ending June 30, 2020). Informational copies of these reports as well as other financial information are available on the Division of Pensions and Benefits' website at: <https://www.nj.gov/treasury/pensions/financial-reports.shtml>. No information contained on the website of the Division of Pensions and Benefits is incorporated herein by reference.

Ordinarily, the actuarial valuations of the Pension Plans are completed approximately six to eight months after the end of a Fiscal Year. As a result, the actuarially recommended contribution rates of the actuarial valuations of the Pension Plans apply not to the Fiscal Year immediately following the Fiscal Year covered by the actuarial valuations but the second immediately following fiscal year. For example, the actuarially recommended contributions in the actuarial valuations of the Pension Plans as of July 1, 2018 are applicable to the Fiscal Year ended June 30, 2020.

Actuaries and Auditor. Cheiron, Inc. serves as consulting actuary for all seven defined benefit pension plans. The consulting actuary prepares the actuarial valuations and experience investigations (which are described below) for the Pension Plans. KPMG LLP serves as the auditor of the financial statements of the Pension Plans.

Content and Timing of Actuarial Valuations. The purpose of an actuarial valuation is to calculate an actuarially recommended contribution by an independent actuary on the basis of an assessment by such actuary, using multiple assumptions and methodologies, whether the assets of a Pension Plan, together with expected earnings and other amounts, will be sufficient to pay expected retirement benefits. Two of the key calculations that the actuaries make in each actuarial valuation is a calculation of the actuarial accrued liability and the actuarial value of assets. The actuarial accrued liability of a Pension Plan represents an estimate, on the basis of demographic and economic assumptions, of the present value of benefits the Pension Plan will pay to retirees over time. The actuarial valuation of assets represents the market value of the assets of the Pension Plan as adjusted for several methods discussed below. The actuarial valuation compares the actuarial accrued liability with the actuarial value of assets, and any excess of that liability over the assets forms an unfunded actuarial accrued liability (“UAAL”) of the applicable Pension Plan. An actuarial valuation will express the percentage that a Pension Plan is funded through a “Funded Ratio” which represents the quotient obtained by dividing the actuarial value of assets of the Pension Plan by the actuarial accrued liability of the Pension Plan. A Funded Ratio of 100% represents an assessment by the actuary, based on the assumptions and methodologies of the actuarial valuation, that a Pension Plan has a sufficient amount of assets that, with future earnings on those assets and other amounts, will be sufficient to pay expected retirement benefits that have been earned to date.

Actuarially Recommended Contribution. Actuaries of the Pension Plans will also calculate an actuarially recommended contribution in each actuarial valuation. The actuarially recommended contribution consists of two components: (1) normal cost which represents the portion of the present value of retirement benefits that are

allocable to active members' current year service, and (2) in cases where the Funded Ratio is less than 100%, a portion of the UAAL. The actuarially recommended contribution is determined in accordance with State statutes and uses different assumptions and methodologies than used for purposes of meeting financial disclosure requirements. See "—GASB Statements No. 67 and 68" below.

Assumptions used in Actuarial Valuations. While actuarial valuations express the funding status of Pension Plans in terms of a value on a particular date, in reality they consist of projections of future retirement benefits and estimates of the amount of assets that will be available to pay those retirement benefits. To make these projections and estimates, actuaries use many assumptions, which include: expected rate of return on assets, inflation rates, future pay increases, age of retirement of members, assumed rates of disability and post-employment life expectancies of retirees and beneficiaries. The Pension Plan boards establish most of these assumptions except that the State Treasurer establishes the expected rate of return. If the experience of the Pension Plans is different from these assumptions, the UAAL of the Pension Plans may increase or decrease to the extent of any variances.

State law requires the Pension Plans to conduct experience investigations every three years, which examine the demographic and economic assumptions used in the Pension Plans' actuarial valuations to ensure that those assumptions are consistent with historical experience. If an experience investigation results in a change in one or more assumptions, it can have a significant impact on the UAAL of a Pension Plan in the actuarial valuations following the experience investigation. For example, based on the experience investigation for TPAF covering the period from July 1, 2012 through June 30, 2015, the salary growth assumption and several of the demographic assumptions were changed, including the mortality rates. These assumption changes were reflected in the July 1, 2016 actuarial valuation and caused the overall UAAL to decrease by \$201.9 million or 0.4% and the actuarially recommended contribution of TPAF to decrease by \$39.5 million or 1.3%.

In the case of the expected rate of return of assets, the actual rate of return of the Pension Plans depends on the performance of the investment portfolio. The value of the securities in the investment portfolio can dramatically change from one Fiscal Year to the next, which could, in turn, contribute to substantial increases or decreases in the applicable UAAL. For example, for Fiscal Year 2019, the preliminary, unaudited investment rate of return is for the fiscal year to date period ended May 31, 2019 is 2.06% and, for Fiscal Years 2018 and 2017, the investment rate of return was 9.06% and 13.07%, respectively. The preliminary, unaudited annualized return for the three-year period ended May 31, 2019 was 8.17%. The rate of return on assets assumed by the actuary in the most recent June 30, 2018 valuations was 7.5%. The assumed rate of return for valuation purposes was lowered from 7.65% to 7.5% beginning with the July 1, 2017 actuarial valuation. Milliman, Inc., the former actuary for TPAF, indicated in their June 30, 2017 actuarial valuation report that they considered the 7.5% assumed rate of return achievable only approximately 1/3rd of the time based on their projected annualized 30-year returns and recommends a further reduction in the assumed rate of return. The State plans a gradual reduction in the assumed rate of return to 7% in two steps from 7.5% to 7.3% effective with the June 30, 2019 actuarial valuation and from 7.3% to 7% effective with the June 30, 2021 actuarial valuation.

Methodologies used in Actuarial Valuations. The actuarial valuations of the Pension Plans use several actuarial methods to calculate the actuarial value of assets and actuarial accrued liability of the Pension Plans. These methods are generally established by State legislation. These methods include the method of amortizing the UAAL, a method of smoothing differences between market value of assets and expected value of assets, and a method of determining when pension benefits accrue for purposes of calculating actuarial liabilities. The State Legislature may change these methods which, depending on the nature of the change, can have a substantial positive or negative impact on the UAAL of the Pension Plans.

One of the methodologies used by the Pension Plans is an asset valuation method of smoothing over a five-year period the differences between market value of assets and expected value of assets. The Pension Plans use this method to prevent extreme fluctuations that may result from temporary or cyclical economic and market conditions. As of June 30, 2018, excluding the estimated value of the Lottery Contribution, the State's portion of the aggregate market value of all of the assets of the Pension Plans, as determined by the Pension Plans' actuaries, was approximately \$36.1 billion. As of June 30, 2018, the State's portion of the aggregate actuarial value of all assets of the Pension Plans was \$38.4 billion. Based on these figures, the Pension Plans have a net unsmoothed loss of approximately \$2.3 billion, which is the difference, as of June 30, 2018, between the market value of their assets and the actuarial value of their assets which is calculated using the smoothing method. As a result of the smoothing of

gains and losses over a five (5)-year period under the current asset valuation method, the UAAL is lower than it would be if assets were stated at their current market value as of June 30, 2018.

When the Funded Ratio is less than 100%, part of the purpose of the actuarial valuation is to develop a schedule for restoring the Pension Plan to a Funded Ratio of 100% (which is referred to as an amortization method). This requires the actuary to calculate that portion of the UAAL that the State needs to contribute in order to follow that schedule. The actuaries of the Pension Plans use different methods in developing that schedule. Except for the CP&FPF and the POPF, the Pension Plans use a level dollar amortization method in place of the level percent of pay method previously used to calculate the amount of the UAAL that is included in the actuarially recommended rates of contribution, which means that the actuary assumes that the State will pay the same dollar amount to amortize the UAAL in each year of the amortization period. Pursuant to state pension statutes, the UAAL is being amortized over an open-ended 30-year period through the July 1, 2018 actuarial valuation for PERS, TPAF, SPRS and JRS, and through the July 1, 2017 actuarial valuation for PFRS. Beginning with the July 1, 2019 actuarial valuation for PERS, TPAF, SPRS and JRS, and the July 1, 2018 actuarial valuation for PFRS, the UAAL will be amortized over a closed 30-year period until the remaining period reaches 20 years, when the amortization period will revert to an open-ended 20-year period. An open amortization period means that the period over which the UAAL is amortized may reset to 20 years with each actuarial valuation if the unfunded actuarial accrued liability increases whereas, in a closed amortization period, the period is reduced with each actuarial valuation.

Historical Statutory Funding Status. The following table sets forth the historical statutory funding status of the Pension Plans from the Fiscal Year ended June 30, 2010 through the Fiscal Year ended June 30, 2018.

HISTORICAL STATUTORY FUNDING STATUS
AGGREGATE PENSION FUND ACTUARIAL LIABILITIES AND ASSETS⁽¹⁾
Actuarial Valuations as of July 1, 2010 through July 1, 2018
(In Millions)

Valuation Year Ending June 30,	Actuarial Value of Assets ⁽²⁾	Actuarial Accrued Liability ⁽²⁾	Unfunded Actuarial Accrued Liability (UAAL) ⁽²⁾	Funded Ratio	Market Value of Assets ⁽³⁾
2010 ⁽⁴⁾	\$47,950.5	\$72,588.5	\$24,638.0	66.1%	\$37,765.8
2011	46,736.7	75,622.0	28,885.3	61.8	40,795.3
2012	45,293.4	77,991.1	32,697.7	58.1	38,271.3
2013	44,494.5	80,051.0	35,556.5	55.6	39,486.0
2014	42,486.4	82,563.3	40,076.9	51.5	40,594.3
2015	41,397.4	85,212.0	43,814.6	48.6	38,505.9
2016 ⁽⁵⁾	39,731.6	88,800.3	49,068.7	44.7	34,698.9
2016 Rev ⁽⁶⁾	52,304.8	88,800.3	36,495.5	58.9	47,272.1
2017	51,416.6	92,150.6	40,734.0	55.8	48,354.5
2018	51,018.0	93,807.5	42,789.5	54.4	48,762.3

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits. Information was derived from the actuarial valuation reports as of July 1, 2010 through July 1, 2018 for all the Pension Plans.

⁽¹⁾ The actuarial liabilities and assets shown in this chart are based on the actuarial methods and assumptions used to determine the statutory contributions and are different from the actuarial liabilities and assets based on GASB Statement No. 67.

⁽²⁾ For a description of these terms, see "—Actuarial Valuations and Actuarial Funded Status of Pension Plans" above.

⁽³⁾ The market value of assets as shown in the actuarial valuation reports for the Pension Plan and included in the table differs from the value of the investment portfolio of the Pension Plans as reported by the Division of Investment. The market value of assets of each of the Pension Plans is as set forth in the actuarial valuation reports for the Pension Plans and represents the full market value of the assets held by the Pension Plan, including expected receivable contributions from the State, local employers and participants and the estimated value of the Lottery Contribution beginning with the July 1, 2016 valuation.

⁽⁴⁾ The June 30, 2010 data reflects the impact on the Pension Plans of pension reforms enacted pursuant to L. 2011, c. 78, which resulted in a decrease in the State's aggregate unfunded actuarial accrued liability (UAAL) from \$37.1 billion to \$24.6 billion and an increase in the State's aggregate funded ratio from 56.4% to 66.1%.

⁽⁵⁾ Information was derived from the original actuarial valuation reports as of July 1, 2016 and excludes the value of the Lottery Contribution.

⁽⁶⁾ Information was modified to include \$12.573 billion in the Actuarial Value of Assets and Market Value of Assets representing the estimated value of the Lottery Contribution as of July 1, 2016. For the fiscal year ended as of June 30, 2016, this improved the overall funded ratio of the Pension Plans from 44.7% to 58.9% as compared to the original actuarial valuation reports as of July 1, 2016.

Prospective Statutory Funding Status. The following table sets forth the prospective statutory funding status of the Pension Plans for the Fiscal Year ended June 30, 2018 through the Fiscal Year ended June 30, 2047. The following information constitutes forward-looking information and does not represent a prediction of actual results. The following information represents a projection of the future funded status of the Pension Plans that is based on the assumptions and methodologies used by the actuaries to prepare the actuarial valuations for the Pension Plans and assumes that the State continues to make its contributions to the Pension Plan in accordance with its current funding policy. Accordingly, the following information is based on numerous assumptions and methodologies and actual results will likely differ. Investors should read carefully all of the footnotes to the following table and the related cross-references to understand the assumptions and methodologies upon which the following information is based.

PROSPECTIVE STATUTORY FUNDING STATUS
AGGREGATE PENSION FUND ACTUARIAL LIABILITIES AND ASSETS⁽¹⁾
For the Fiscal Year Ending June 30, 2018 through June 30, 2047
(In Millions)

Valuation Year Ending June 30	Actuarial Value of Assets (AVA)⁽²⁾⁽³⁾	Actuarial Accrued Liability (AAL)⁽²⁾⁽³⁾	Unfunded Actuarial Accrued Liability (UAAL)⁽²⁾	AVA Statutory Funded Ratio⁽²⁾
2018	\$51,018.1	\$ 93,807.5	\$42,789.4	54.4%
2019	50,654.7	97,669.2	47,014.5	51.9
2020	50,823.0	99,378.9	48,555.9	51.1
2021	51,655.8	104,571.0	52,915.2	49.4
2022	53,488.2	106,295.9	52,807.7	50.3
2023	55,441.5	108,003.0	52,561.5	51.3
2024	57,507.1	109,688.6	52,181.5	52.4
2025	59,682.7	111,358.0	51,675.3	53.6
2026	61,957.1	113,005.8	51,048.6	54.8
2027	64,306.6	114,615.0	50,308.4	56.1
2028	66,729.9	116,183.1	49,453.3	57.4
2029	69,233.0	117,718.2	48,485.2	58.8
2030	71,807.0	119,213.9	47,406.9	60.2
2031	74,429.6	120,656.8	46,227.2	61.7
2032	77,103.0	122,044.5	44,941.5	63.2
2033	79,834.7	123,381.2	43,546.5	64.7
2034	82,627.6	124,667.5	42,040.0	66.3
2035	85,491.0	125,904.8	40,413.8	67.9
2036	88,450.9	127,113.0	38,662.0	69.6
2037	91,531.6	128,310.7	36,779.1	71.3
2038	94,759.6	129,517.7	34,758.1	73.2
2039	98,167.6	130,759.8	32,592.2	75.1
2040	101,781.2	132,054.8	30,273.6	77.1
2041	105,635.3	133,428.9	27,793.7	79.2
2042	109,763.2	134,906.5	25,143.2	81.4
2043	114,190.0	136,502.1	22,312.1	83.7
2044	118,956.1	138,244.7	19,288.7	86.0
2045	124,073.0	140,135.8	16,062.8	88.5
2046	129,555.4	142,176.2	12,620.8	91.1
2047	136,215.1	144,374.5	8,159.4	94.3

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits.

⁽¹⁾ The actuarial liabilities and assets shown in this chart are based on the actuarial methods and assumptions used to determine the statutory contributions and are different from the actuarial liabilities and assets based on GASB Statement No. 67.

⁽²⁾ For a description of these terms, see “—Actuarial Valuations and Actuarial Funded Status of Pension Plans” above.

⁽³⁾ Actuarial value of assets includes the value of the Lottery Contribution. See “—Lottery Enterprise Contribution Act” above.

GASB Statements No. 67 and 68

The State and the Pension Plans are required to follow GASB Statements No. 67 and 68 in preparing their financial statements. These GASB Statements are intended to improve comparability between public pension plans by standardizing the way certain financial data relating to these plans are disclosed. But they do not require plans to change their methods used to compute actual employer contributions to the plan. The State's actual contributions to the Pension Plans continue to be calculated under the requirements of the governing State statutes.

GASB Statements No. 67 and 68 require governmental plans use specific methods in calculating the required disclosures, and those methods differ from the methods that the actuaries of the Pension Plans use in calculating UAAL and Funded Ratio. These include the method used to calculate how much cost each member's pension accrues over time and the discount rate used to discount projected benefit payments. In addition, the standards require the calculation of a "depletion date" based on a projection as to the length of time assets will cover projected benefit payments over a 99-year projection period under certain assumptions. For purposes of projecting future employer contributions, GASB 67 requires that assumed contributions be based on a consistent contribution pattern per state statute or other formally adopted policy. Since the State has not contributed the full actuarial recommended contribution for many years, the GASB valuation report uses the percentage of the actuarially recommended contribution the State contributed in the given year and assumes that percentage is what the State contributes for all future Fiscal Years. For example, for the most recent July 1, 2018 GASB valuation report, the asset depletion projection assumes the State will make future contributions based on 50% of the full statutory contribution amount, which represents the actual contribution percentage made by the State in Fiscal Year 2018. The GASB Statements require that the discount rate used to discount projected benefits payments to their present value will be based on a single rate that reflects (a) the long-term expected rate of return on plan investments as long as the plan net position is projected under specific conditions to be sufficient to pay pensions of current plan members and the pension plan assets are expected to be invested using a strategy to achieve that return; and (b) a yield or rate index on tax-exempt 20-year, AA- or higher rated municipal bonds to the extent that conditions for use of the long-term expected rate of return are not met.

In the Fiscal Year ended June 30, 2019, the State contributed 60% of its actuarially recommended contribution, and, in Fiscal Year ending June 30, 2020, the State is planning to make a contribution that, after accounting for the impact of the LECA will result in the Pension Plans receiving 70% of its actuarially recommended contribution. The State has appropriated funds to make a \$2.697 billion contribution to the Pension Plans in Fiscal Year 2020 and will seek to contribute an additional \$45 million through supplemental appropriations prior to the end of Fiscal Year 2020 to ensure total pension funding of 70% of the actuarially required contribution. Based upon the State's contribution pattern over the last several years, the State plans to propose a change in the approach used to determine future assumed State contributions for GASB purposes and will seek to use a 70% of actuarially recommended contribution assumption for the GASB 67 reports for Fiscal Year ended June 30, 2019 (up from the 50% contribution assumption used in the GASB 67 reports for Fiscal Year ended June 30, 2018). This change, if authorized through the Fiscal Year 2019 audit process, will lead to higher assumed future contributions and, therefore, help to extend the dates of depletion in the calculations. By extending the depletion dates further into the future, there will be a longer period of time (pre-depletion) when liabilities will be discounted at the plans' assumed rate of return (currently, 7.5%). This, in turn, will reduce Total Pension Liabilities and increase the funded ratio as calculated pursuant to GASB 67.

The GASB 67 reports for the State are based on information from the prior Fiscal Year's actuarial valuations of the Pension Plans, except that the information is updated to reflect market value of assets as of the date of the GASB 67 report and the information is adjusted to reflect events that the actuarial valuation assumed to occur in the Fiscal Year. Thus, the GASB 67 reports as of June 30, 2018 use information from the actuarial valuations of the Pension Plans as of June 30, 2017 subject to these adjustments.

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The results, summarized for the GASB 67 Reports as of June 30, 2018 are shown in the following chart:

GASB STATEMENT NO. 67 DISCLOSURE
Net Pension Liability Plan Fiduciary Net Position⁽¹⁾
Based on Actuarial Valuations as of July 1, 2018
(In Millions)

Pension Plan	Plan Fiduciary Net Position	Total Pension Liability	Plan Net Pension Liability	Plan Fiduciary Net Position as a % of TPL	Depletion Date (June 30)
PERS ⁽²⁾	\$29,472.4	\$ 72,866.2	\$ 43,393.8	40.45%	2047
TPAF.....	22,991.1	86,787.5	63,806.4	26.49	2041
PFRS ⁽³⁾	27,098.6	46,797.6	19,699.0	57.91	2063
CP&FPF.....	1.8	5.7	3.9	30.96	N/A ⁽⁴⁾
SPRS.....	1,790.0	4,849.7	3,059.7	36.91	2042
JRS.....	167.7	922.0	754.3	18.19	2026
POPF.....	5.2	5.2	0.0	99.24	N/A ⁽⁴⁾
Total.....	<u>\$81,526.8</u>	<u>\$212,243.9</u>	<u>\$130,717.1</u>	<u>38.41%</u>	

⁽¹⁾ Based on Market Value as of June 30, 2018. Audited. Does not take into consideration the Lottery Contribution.

⁽²⁾ Of the total Net Pension Liability of \$43,393.8 million for PERS, \$23,704.3 million is the estimated State portion and \$19,689.5 million is the estimated Local portion.

⁽³⁾ Of the total Net Pension Liability of \$19,699.0 million for PFRS, \$4,329.3 million is the estimated State portion and \$15,369.7 million is the estimated Local portion.

⁽⁴⁾ The Plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current Plan members.

As of the most recently audited GASB 67 reports, in all Pension Plans, except the CP&FPF and POPF, it has been determined that future assets will not cover all projected future benefit payments to current plan members and, as a result, a lower or blended discount rate has been used to value the Plans' liabilities in the Pension Plans.

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The State requested its actuary to provide an estimate of the GASB 67 Net Pension Liability calculations for its five largest pension plans as of June 30, 2019. To prepare these estimates, the actuary based the calculations on the actuarial valuations of the Pension Plans as of June 30, 2018, estimated the market value of assets as of June 30, 2019, and took into consideration the Lottery Contribution. In addition, the actuary assumed that the State's future contributions will be equivalent to 70% of the full actuarially recommended contribution less the Special Asset Adjustment pursuant to LECA in every Fiscal Year. See "—Lottery Enterprise Contribution Act —Special Asset for Actuarial Calculation Purposes" above. These estimated calculations are estimates and do not represent calculations complying with GASB 67 and only provide an indication of the impact that the percentage of actuarially recommended contribution and the Lottery Contribution will have upon the calculations prescribed by and disclosed pursuant to GASB 67. In addition, the actuary is currently preparing experience studies for all of the Pension Plans. To the extent the Pension Boards approve revised actuarial assumptions recommended by the pension actuary based on these experience studies, the estimated GASB 67 valuation results as of June 30, 2019 could change.

ESTIMATED GASB STATEMENT NO. 67 DISCLOSURE
Net Pension Liability Plan Fiduciary Net Position
Based on Indicative Actuarial Valuation as of June 30, 2019*
Future Contributions Assumption
(70% of actuarially recommended contribution)
(in Millions)

Pension Plan	Plan Fiduciary Net Position	Total Pension Liability	Plan Net Pension Liability	Plan Fiduciary Net Position as a % of TPL	Depletion Date (June 30)
PERS.....	\$29,437.0	\$69,242.0	\$39,805.0	42.51%	2059
TPAF.....	22,608.0	80,821.0	58,213.0	27.97	2054
PFRS.....	27,723.0	46,490.0	18,767.0	59.63	2075
SPRS.....	1,785.0	4,610.0	2,825.0	38.72	2052
JRS.....	156.0	968.0	812.0	16.12	2029
Total	\$81,709.0	\$202,131.0	\$120,422.0	40.42%	

* Estimates. Actual numbers for the Fiscal Year ended June 30, 2019 will be audited. Not separated between State and Local Portions.

In addition, the State requested its actuaries perform estimated June 30, 2019 GASB 67 Net Pension Liability calculations for its five largest pension plans using the same assumptions as the immediately preceding table except to assume as the State's future contributions that it will follow its current funding policy, which provides that the State's contributions will increase by 1/10th each Fiscal Year until it reaches 100% of the actuarially recommended contribution in Fiscal Year 2023. These indicative calculations have not been audited and do not represent calculations complying with GASB 67 and only provide an indication of the impact that the percentage of actuarially recommended contribution and the Lottery Contribution will have on the calculations prescribed by and disclosed pursuant to GASB 67.

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ESTIMATED GASB STATEMENT NO. 67 DISCLOSURE
Net Pension Liability Plan Fiduciary Net Position
Based on Indicative Actuarial Valuation as of June 30, 2019*
Future Contributions Assumption
(Expected Contribution Phase-In)
(in Millions)

Pension Plan	Plan Fiduciary Net Position	Total Pension Liability	Plan Net Pension Liability	Plan Fiduciary Net Position as a % of TPL	Depletion Date (June 30)
PERS.....	\$29,437.0	\$64,394.0	\$34,957.0	45.71%	none
TPAF	22,608.0	69,284.0	46,676.0	32.63	2105
PFRS.....	27,723.0	45,569.0	17,846.0	60.84	none
SPRS.....	1,785.0	3,863.0	2,078.0	46.21	none
JRS.....	156.0	743.0	587.0	21.00	none
Total	\$81,709.0	\$183,853.0	\$102,144.0	44.44%	

* Estimates. Actual numbers for the Fiscal Year ended June 30, 2019 will be audited. Not separated between State and Local Portions.

An informational copy of the July 1, 2017 and July 1, 2018 valuation report is posted on the Division of Pensions and Benefits' website at: <http://www.state.nj.us/treasury/pensions/financial-reports.shtml>. No information posted on the Division's website is incorporated by reference in this Appendix I.

GASB 67 contains a provision that requires a pension plan to be treated as a single trust for purposes of valuing the plan when there are no separate trust agreements in place for the component groups within the plan. Since there is no language in legislation that legally segregates the State and local components within the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS), the information and disclosures for these two multi-employer plans had to be developed in the aggregate per system and not separately for the State and the local participating employers. If the State and local employers were segregated for GASB 67 disclosure purposes, the State's Plan Fiduciary Net Position as a percentage of Total Pension Liability in both PERS and PFRS would have been lower than the combined State and local Plan Fiduciary Net Position as a percentage of Total Pension Liability shown in the above chart, and the local employer Plan Fiduciary Net Position as a percentage of Total Pension Liability would have been higher.

GASB Statement No. 68 Results: GASB Statement No. 68 ("GASB 68") requires each participating employer to recognize and record as a liability on their financial statements their proportionate share of the collective net pension liability determined under GASB 67. For the Fiscal Year ending June 30, 2019, each participating employer must recognize their share of the total net pension liability of \$130,717.1 million determined as of measurement date of June 30, 2018. The State's share of the collective net pension liability as of June 30, 2018 has been determined to be \$93,687.2 million. This amount will be recorded as a liability on the State's financial statements for the fiscal year ending June 30, 2019.

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The following chart summarizes the allocation of the net pension liability of \$130,717.1 million as of June 30, 2018 determined under GASB 68:

GASB STATEMENT NO. 68 DISCLOSURE
Allocation of Net Pension Liability (NPL) per GASB 68⁽¹⁾
(In Millions)

Pension Plan	State	State Non-Employer ⁽¹⁾	Total State	State Colleges & Universities	Locals	Plan Net Pension Liability
PERS.....	\$20,077.2	\$ —	\$20,077.2	\$3,627.1	\$19,689.5	\$43,393.8
TPAF.....	188.5	63,617.9	63,806.4	—	—	63,806.4
PFRS.....	4,147.6	1,838.1	5,985.7	181.7	13,531.6	19,699.0
CP&FPF.....	3.9	—	3.9	—	—	3.9
SPRS.....	3,059.7	—	3,059.7	—	—	3,059.7
JRS.....	754.3	—	754.3	—	—	754.3
POPF.....	—	—	—	—	—	—
Total.....	\$28,231.2	\$65,456.0	\$93,687.2	\$3,808.8	\$33,221.1	\$130,717.1

(1) Audited. The TPAF and a portion of local government component of PFRS represent special funding situations because the State is legally responsible for making contributions directly to these plans that is used to provide retirement benefits to non-State employees. Pursuant to GASB 68, these special funding situations require the State to recognize its proportionate share of the collective NPL for these plans.

Since there is no statutory requirement that the State fund the pension costs for the State colleges and universities, the State is not required under GASB 68 to include the State college and university portion of the net pension liability, which is estimated to be \$3.809 billion as of June 30, 2018, as a liability on its financial statements. However, the State's longstanding practice has been to pay the required pension contributions on behalf of the various State higher education institutions and it is expected that this longstanding practice will continue in the future.

An informational copy of the GASB 68 actuarial valuation report for the various Pension Plans is posted on the Division's website. No information posted on the Division's website is incorporated by reference in this Appendix I.

FUNDING POST-RETIREMENT MEDICAL BENEFITS

In addition to the pension benefits, the State provides post-retirement medical ("PRM") benefits for certain State and other retired employees meeting the service credit eligibility requirements. This includes retired State employees of PERS, TPAF, PFRS, SPRS, JRS and ABP; local retired TPAF and other school board employees; and some local PFRS retirees. To become eligible for this State-paid benefit, a member of these Pension Plans must retire with 25 or more years of pension service credit or on a disability pension. These benefits are provided through the State Health Benefits Program ("SHBP") and the School Employees' Health Benefits Program ("SEHBP"). The SHBP and the SEHBP are administered by the Division of Pensions and Benefits. The benefits provided include medical, prescription drug, and Medicare Part B and Part D reimbursement for covered retirees, spouses and dependents. In Fiscal Year 2019, the State paid PRM benefits for 155,912 State and local retirees.

The State funds post-retirement medical benefits on a "pay-as-you-go" basis, which means that the State does not pre-fund, or otherwise establish a reserve or other pool of assets against the PRM expenses that the State may incur in future years. For Fiscal Years 2018 and 2019, the State contributed \$1.909 billion and \$1.796 billion, respectively, to pay for pay-as-you-go PRM benefit costs incurred by covered retirees. For Fiscal Year 2020, the Fiscal Year 2020 Appropriations Act includes \$1.514 billion to cover PRM benefit costs. The Fiscal Year 2020 appropriation assumes savings from previously enacted reforms, the adoption of a Medicare Advantage health plan for SEHBP retirees, audits, pharmacy and medical services contract renewals, and negotiated savings through collective bargaining. See "FINANCIAL RESULTS AND ESTIMATES – *Health Benefits*" herein.

New Governmental Accounting Standards. Beginning in Fiscal Year 2018, the State was required to calculate and disclose its obligation to pay PRM to current and future retirees based on new GASB requirements. GASB 74 and 75 reflect a fundamental overhaul in the standards for accounting and financial reporting for postemployment benefits other than pensions ("OPEB") and replace the current statements, GASB 43 and 45. The term "OPEB" as used in the following discussion on the new GASB requirements refers to the funding of postretirement medical benefits. GASB 74 is for OPEB plans and was effective for plan fiscal years beginning after June 15, 2016. GASB 75 applies to employers that sponsor OPEB plans and is effective for employer fiscal years beginning after June 15, 2017. For the State and local participating employers who report on a fiscal year basis, the new GASB 75 reporting and disclosure requirements are effective beginning with the issuance of their financial reports for the fiscal year ending June 30, 2018.

Many of the provisions of GASB 74 and 75 for OPEB are parallel to the provisions of GASB 67 and 68 for pensions. The new GASB statements will require a liability for OPEB obligations, known as the net OPEB liability ("NOL"), to be recognized on the balance sheet of the employers participating in the OPEB plan. In addition, an OPEB expense will be recognized in the income statement of the participating employers. This is very similar to what happened with GASB 67 and 68 for pensions.

Certain actuarial methods and assumptions required under GASB 67 and 68 must also be used to develop the NOL under GASB 74 and 75. For instance, the new standards require that the entry age normal actuarial cost method be utilized to determine the total OPEB liability. The new standards also require that future OPEB benefit payments be discounted using a discount rate that reflects a 20-year tax-exempt municipal bond yield or index rate if assets are not available to cover such future benefit payments.

Like GASB 67 and 68, the new standards do not enforce OPEB funding or impact the State's current funding practice which is to fund PRM benefits on a pay-as-you-go basis as benefits become due.

GASB 75 Valuation Results. The State's portion of the total OPEB liability based on the June 30, 2017 GASB 75 actuarial valuations has been determined to be \$90.4 billion, which is significantly higher than the State's Fiscal Year 2016 actuarial accrued liability of \$69.3 billion determined under the former GASB 43 standard. The increase is primarily due to using a more conservative actuarial cost method to value the plan OPEB liabilities and the lowering of the assumed discount rate from 4.5% to 3.58%.

The valuation results take into account the change in the pharmacy benefit manager to OptumRx effective January 1, 2018 which mitigated the increase in the OPEB liabilities between the Fiscal Year 2016 valuation based on the former GASB 43 standards and the Fiscal Year 2017 valuations based on the new GASB 75 standards.

The results of the initial June 30, 2017 GASB actuarial valuations are summarized in the table below:

GASB Statement No. 75 Accounting Disclosures
Based on Measurement Date of June 30, 2017⁽¹⁾
For the Fiscal Year Ending June 30, 2018
(In Millions)

	<u>State Retired Fund</u>	<u>Education Retired Fund</u>	<u>Local Govt Retired Fund</u>	<u>Total</u>
OPEB Liability				
(a) Retirees Receiving Benefits	\$12,019.2	\$19,658.4	\$ 7,306.9	\$38,984.50
(b) Active Participants	16,085.6	33,981.4	13,322.1	63,389.10
(c) Total	28,104.8	53,639.8	20,629.0	102,373.6
Plan Fiduciary Net Position	—	—	213.2	213.2
Net OPEB Liability	\$28,104.8	\$53,639.8	\$20,415.8	\$102,160.4

⁽¹⁾ Audited.

Estimated Allocation of GASB 75 Liability

OPEB Fund	State	State Non-Employer*	Total State	Locals	Net OPEB Liability
State	\$19,925.9	\$ 8,178.9	\$28,104.8	\$ —	\$428,104.8
Education	—	53,639.8	53,639.8	—	53,639.8
Local Govt	—	8,695.4	8,695.4	11,720.4	20,415.8
Total	<u>\$19,925.9</u>	<u>\$70,514.1</u>	<u>\$90,440.0</u>	<u>\$11,720.4</u>	<u>\$102,160.4</u>

* The State is legally responsible for funding post-retirement benefit costs for state college and university retirees, education retirees, and certain PFRS local government retirees under the provisions of Chapter 330, P.L. 1997. Since the State is funding the retiree benefits for these groups, it represents a special funding situation under GASB 75 and the State is required to recognize its proportionate share of the collective Net OPEB liability for these plans.

Aon calculated the State OPEB liability based on plan provisions, as provided by the State, along with certain demographic and economic assumptions recommended by Aon and approved by the State, and which conform to the requirements of GASB Statements No. 74 and 75. Aon used the entry age normal Actuarial Method to calculate the OPEB liability of the State and local participating employers. Many of the actuarial assumptions used to project the OPEB liability are the same as those used to determine the accrued actuarial liabilities of the Pension Plans. The discount rate used to determine the retiree healthcare liabilities is 3.58%, which is the maximum discount rate that GASB 74 and 75 permit when employers do not pre-fund their OPEB liabilities and is based on a 20-year tax-exempt municipal bond index. When projecting the growth of expected claims of the lifetimes of the qualifying retirees, (1) Aon assumed that pre-age 65 PPO medical benefits would increase at a rate of 5.9% in Fiscal Year 2017 and decrease to a 5.0% long-term trend after nine (9) years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For HMO medical benefits for both pre- and post-age 65, the trend rate is 5.9% in Fiscal Year 2017 and decreases to a 5.0% long-term trend rate after nine (9) years; and (2) Aon assumed that prescription drug benefits would increase at a rate of 10.5% for current and future retirees in Fiscal Year 2017 and decrease to a 5.0% long-term trend rate after eight (8) years. An informational copy of the valuation report is posted on the Division of Pensions and Benefits' website at: <http://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

LITIGATION

The following are cases presently pending or threatened in which the State has the potential for either a significant loss of revenue or a significant unanticipated expenditure.

East Cape May Associates v. New Jersey Department of Environmental Protection. This matter is a regulatory taking case in which the Plaintiff claims that it is entitled to in excess of \$30 million in damages for a taking of its property without just compensation. The property is approximately 96 acres of freshwater wetlands in the City of Cape May. Plaintiff filed its complaint in Superior Court, Law Division, on December 8, 1992, after the DEP denied an application for 366 single family homes. On motion for summary judgment, the trial court ruled that the State was liable for a regulatory taking as of December 1992. Thereafter, the New Jersey Appellate Division held that DEP could avoid liability by approving development on the property under Section 22(b) of the Freshwater Wetlands Protection Act. In addition, the Appellate Division remanded the case for a determination of whether the "property" also included 100 acres previously developed by the Plaintiff's principals. On remand from the Appellate Division, the trial court ruled on October 8, 1999 that the "property" did not include the 100 acres previously developed, and that DEP could not approve development of the 80 remaining acres without first adopting rules. Since DEP had not adopted rules, the trial court held that DEP's development offer of 64 homes on the 80 acres was ineffective and DEP was liable for a taking of the property. The State filed an appeal of the trial court's decision and East Cape May Associates filed a cross-appeal. On July 25, 2001, the Appellate Division affirmed the trial court's decision, and found that before DEP could approve limited development to avoid a taking, it was required to adopt rules. The Appellate Division remanded the case for such rule-making, the making of a development offer under the rules, and a determination by the trial court as to whether the new offer complies with the rules and avoids a taking. Upon remand from the Appellate Division, DEP promulgated regulations to implement Section 22(b), which took effect on January 22, 2002. On July 1, 2009, the parties reached a settlement of the case, and submitted a consent order and stipulation of dismissal to the trial court contingent upon federal

approval from the United States Army Corps of Engineers. The relevant federal agencies expressed opposition to the proposed settlement. On May 25, 2012, East Cape May Associates served notice asserting its rights to terminate the settlement, demanding that within 60 days DEP initiate the reconsideration process. DEP has initiated the reconsideration process pursuant to the regulations.

On June 4, 2014, DEP issued its amelioration authorization which approves development of between 80 to 90 dwelling units clustered on approximately 25 acres of land on the 100-acre parcel. The authorization is consistent with municipal residential zoning, requiring conservation of the remaining 75 acres. DEP is also requiring mitigation of 25 acres of barren land which will serve the migratory bird species which now use the subject property. Plaintiff has reinstated its longstanding complaint in the trial court. Plaintiff claims the amelioration authorization is excessive for this environmentally sensitive property and therefore does not follow DEP's rules, and is also inadequate to avoid a taking.

The trial is scheduled to begin on or about November 12, 2019. The trial court has ruled that DEP holds the burden of proof. DEP filed an interlocutory motion for leave to appeal the burden of proof assignment but the Appellate Division denied the motion. Surrounding neighbors also formed a nonprofit entity and intervened to challenge the amelioration authorization. The State is vigorously defending this matter.

NL Industries, Inc. v. State of New Jersey: The Raritan Bay Slag Superfund Site (the "Site") is approximately 47 acres of real property located in the Laurence Harbor section of Old Bridge Township and Sayreville. Portions of the Site are located on State riparian lands. In 2012, the United States Environmental Protection Agency ("EPA") informed NL Industries, Inc. ("NL") that EPA believed that slag was generated, in part or in whole, by NL's (then National Lead Industries) lead-smelting facility in Perth Amboy. EPA selected a remediation remedy and named NL as the potentially responsible party subject to enforcement. On March 19, 2014, NL filed an initial complaint for contribution against the State in the Superior Court, Law Division for the costs to remediate the Site. On August 16, 2017, NL filed an amended complaint alleging that in the 1980s the State dredged areas that were impacted by hazardous substances, transported the contaminated sediments and discharged the hazardous substances on areas of the Site, and that the State has caused or contributed to the discharge by virtue of the State's failure, as owner of a portion of the Site, to remove the slag after the enactment of the Spill Act in 1977. In the amended complaint, NL seeks declaratory relief as to the State's liability for cleanup and removal costs, including future costs or damages. The State filed its answer denying liability and asserting defenses under the Tort Claims Act. The State also filed a counterclaim asserting claims under the Spill Act seeking the State's past and future remediation costs, and natural resource damages. Discovery in this matter is ongoing. The State is vigorously defending these matters.

Chapter 7 Trustee for Richard Bernardi, Marilyn Bernardi & Strategic Environmental Partners v. New Jersey Department of Environmental Protection: Richard Bernardi, Marilyn Bernardi, and Strategic Environmental Partners (collectively, "Debtors") are Chapter 7 Debtors in Federal Bankruptcy Court, Trenton. Debtors are the owners/operators of the former "Fenimore Landfill" in Roxbury Township, Morris County. In February 2011, they purchased the property with the stated purpose of closing the landfill and redeveloping it as a solar farm. In conjunction with closure of the landfill, Debtors were authorized to import certain solid waste material. Between November 2012 and June 26, 2013, the DEP investigated over 2500 complaints of noxious hydrogen sulfide gas ("H₂S") odors emitting from the landfill. On June 26, 2013, following enactment of the "Legacy Landfill Law," N.J.S.A. 13:1E-125.1 *et seq.*, DEP issued an emergency order authorizing DEP to enter the landfill property to take measures to abate the H₂S odors, which the Debtors had failed to control. DEP entered the property and eventually installed a gas collection system, thermal oxidizer and scrubber to capture and destroy the H₂S. DEP continues to occupy a portion of the property in order to operate the H₂S treatment systems.

In June 2016, the Debtors filed separate bankruptcy petitions under Chapter 11 of the Bankruptcy Code and a trustee was appointed. In July 2017 the matters were consolidated and converted to Chapter 7. In December 2017, the Trustee's counsel advised DEP that they were preparing an adversary complaint in Bankruptcy Court against the DEP seeking damages for DEP's take-over. After brief settlement discussions, on June 14, 2018, the Chapter 7 Trustee filed the adversary complaint for unspecified damages, alleging, *inter alia*, a taking of Debtors' property without just compensation. DEP filed counter-claims seeking costs incurred to date by DEP abating the H₂S emissions. The State is vigorously defending this matter.

PDX North, Inc., and SLS Delivery Services, Inc. v. Robert Asaro-Angelo (in his capacity as Commissioner of the Department of Labor and Workforce Development): PDX North, Inc. ("PDX") facilitates, brokers and provides distribution and transportation services of wholesale auto parts to auto dealers in the northeast. The Department of Labor and Workforce Development ("DOLWD") issued three (3) assessments to PDX for unpaid contributions under New Jersey's unemployment compensation law ("UCL") from 2006 to 2015. PDX has challenged those assessments in the Office of Administrative Law ("OAL").

The PDX filed a federal complaint and sought to declare void and permanently enjoin the enforcement of the unemployment compensation tax exemptions set forth in *N.J.S.A.* 43:21-19(i)(6) and -19(i)(7)(X), claiming those statutes are preempted by the Federal Aviation Administration Authorization Act of 1994 ("FAAAA"), 49 U.S.C. § 14501(c). The complaint specifically alleged that PDX was damaged by the imposition of three (3) audit assessments lodged by the DOLWD for unpaid unemployment compensation taxes. PDX also claimed that it would have to substantially change its business model because of its inability to satisfy the exemptions promulgated in *N.J.S.A.* 43:21-19(i)(6) and -19(i)(7)(X).

SLS Delivery Services, Inc. ("SLS") facilitates and provides distribution and transportation services of packages and parcels to national and international carriers. SLS was permitted to intervene in the PDX federal complaint as a plaintiff and SLS sought the same relief as PDX. On July 29, 2019, the U.S. District Court dismissed the PDX federal complaint with prejudice. The PDX matter in the OAL will now proceed forward.

Along with the PDX matter, there is another administrative proceeding with similar claims, *Eagle Intermodal, Inc. v. N.J. Dept. of Labor and Workforce Development*, with a related federal matter filed by Eagle also claiming that the ABC Test is preempted by the FAAAA, violates the Contracts Clause of the United States Constitution, and substantive due process violations under the United States and New Jersey Constitutions. The Eagle matters are currently ongoing. The State is vigorously defending these matters.

Pepe v. State. On November 2, 2015, two (2) retired public school teachers and a retired public school secretary ("Individual Plaintiffs"), along with the New Jersey Education Association ("NJEA"), filed suit against the State and various State officials claiming that the State is violating the Individual Plaintiffs' alleged constitutionally protected contractual right to premium-free post-retirement health insurance by deducting a portion of the premium from the Individual Plaintiffs' retirement benefits. Specifically, in their Complaint, the Individual Plaintiffs: 1) allege an impairment of such contractual right by Section 40 of Chapter 78, which requires, as of the June 28, 2011 effective date of Chapter 78, any employee with less than twenty (20) years of creditable service in certain State or locally administered retirement systems, to pay a portion of the premium of post-retirement health insurance; 2) claim a violation of State and federal due process rights and takings clauses; 3) assert estoppel against the State arising from the State's argument in *New Jersey Education Association v. State*, 202 N.J. 347; and 4) seek a declaration that Section 40 of Chapter 78 expired and has no force. On January 29, 2016, the State filed a motion to dismiss for failure to state a claim upon which relief may be granted. On July 26, 2017, the trial court issued an oral decision granting the State's motion to dismiss. The Individual Plaintiffs appealed and, on May 14, 2019, the Appellate Division affirmed the trial court's decision in favor of the State. The Individual Plaintiffs filed a notice of petition for certification with the New Jersey Supreme Court. The State is vigorously defending this matter.

Verizon Americas Inc. (fka Vodafone Americas Inc.) v. Director, Division of Taxation. On July 28, 2016, Verizon Americas Inc. ("Verizon") filed a series of Complaints in the Tax Court of New Jersey, contesting the New Jersey Department of the Treasury, Division of Taxation's ("Division") Corporation Business Tax ("CBT") refund denials. The Division concluded that Verizon was a general partner in a partnership doing business in New Jersey and subject to CBT. In addition, the Division concluded that Verizon is "unitary" with the partnership and, thus, subject to CBT. In the Complaints, Verizon asserts that it is not subject to tax and entitled to a refund for tax years ending December 2002 through March 2014. The parties are in the initial discovery stage. The State is vigorously defending this matter.

Johnson & Johnson v. Director, Division of Taxation and Commissioner, Banking & Insurance. On November 2, 2015, Johnson & Johnson submitted a request to the New Jersey Department of Banking & Insurance and the New Jersey Department of the Treasury, Division of Taxation seeking a refund of self-procured insurance premium taxes paid pursuant to *N.J.S.A.* 17:22-6.64 for the period November 1, 2011 through March 31, 2015. Johnson & Johnson obtained its insurance through Middlesex Assurance Company Limited, its captive insurance

company domiciled in Vermont. Middlesex Assurance is a nonadmitted insurer, that is, it is not authorized to conduct insurance business in New Jersey. The basis for Johnson & Johnson's refund request is the assertion that the Nonadmitted and Reinsurance Reform Act ("NRRRA") and, by extension, *N.J.S.A.* 17:22-6.64, were never intended to apply to captive insurance companies. On August 9, 2016, the Division denied Johnson & Johnson's refund claim. Johnson & Johnson filed a complaint in the Tax Court on October 24, 2016 challenging the Division's denial of the refund claim. The State's answer was filed on February 21, 2017. Both parties moved for summary judgment. The motions were argued in the Tax Court on February 26, 2018. The Tax Court issued a (published) opinion and order on June 15, 2018, granting summary judgment to the State and dismissing Johnson & Johnson's complaint. Johnson & Johnson filed a notice of appeal with the Appellate Division on July 27, 2018. The matter has been fully briefed with the Appellate Division and the parties await a decision. The State is vigorously defending this matter.

Paz v. Director, Division of Taxation. Plaintiff and certain grantor trusts owned 100% of an S-Corporation in New Jersey. Plaintiff purportedly sold the corporation to a third-party purchaser pursuant to a deemed "asset sale" under Internal Revenue Code Section 338(h)(10). On his GIT return for 2010, Plaintiff apportioned the gain from the sale of an S-Corporation to the 23 states where the corporation conducted business. The Division audited Plaintiff and the S-Corporation and assigned 100% of the gain on the sale to the State as "non-operational income" under the CBT Act and assessed Plaintiff accordingly. In a related matter, the Division issued an alternative assessment against the S-Corporation based on the trusts' share of tax due. Plaintiff argues that the Division erred or is not otherwise authorized to classify the gains from the sale of the stock as non-operational income. The Division filed an Answer on April 15, 2016. On or about July 7, 2016, the Plaintiff and related parties filed a motion for summary judgment. On October 18, 2016, the Division filed cross-motion for summary judgment. The Tax Court heard oral argument on December 16, 2016. On April 7, 2017, the Tax Court issued its published opinion that upheld the GIT assessment against the Plaintiff in its entirety. The Tax Court, however, vacated the alternative assessment against the S-Corporation. Finally, the Tax Court abated the underpayment penalties assessed against the Plaintiff and denied Plaintiff's motion for attorney fees. On June 22, 2017, Plaintiff filed a notice of appeal. On January 31, 2019, the Appellate Division affirmed the decision of the Tax Court and upheld the GIT assessment against the Plaintiff. On February 20, 2019, Plaintiff filed both a notice of appeal and petition for certification with the New Jersey Supreme Court. The State filed its opposition to the petition for certification on May 20, 2019. The State is vigorously defending this matter.

Oracle International Corporation v. Director, Division of Taxation. On or about March 25, 2009, Oracle International Corporation ("Oracle") filed a complaint contesting the Division's December 17, 2008 Notice of Assessment Relating to Final Audit Determination, imposing CBT for the audit period June 1, 2001 through May 31, 2007. Oracle alleges it is not subject to tax in the State, and challenges the assessment on a number of grounds, including that Oracle does not have nexus to the State and that the State's "Throw Out Rule" under *N.J.S.A.* 54:10A-6(b) is facially invalid and unconstitutional as applied under the State and federal constitutions. Discovery is ongoing. The State is vigorously defending this matter.

Banc of America Consumer Card Holdings Corporation v. Director, Division of Taxation. On or about August 5, 2011, Banc of America Consumer Card Holdings Corporation ("BOA") filed a complaint in the Tax Court of New Jersey, contesting the Division's May 9, 2011 denial of a CBT refund for tax periods January 1, 2006 through December 31, 2008. BOA does not challenge the State's jurisdiction to impose CBT. BOA alleges that its income from intangibles should be sourced to BOA's alleged commercial domicile outside of the State. The State filed an answer to the complaint on October 4, 2011, and an amended answer on March 6, 2012. The parties have completed the initial stage of discovery. On April 2, 2015, BOA filed a motion for partial summary judgment. The State's opposition was filed on July 14, 2015. Oral argument on the motion was heard on February 3, 2016. On October 6, 2016, the Tax Court issued a written decision and concluded that BOA was required to source to the State 100% of its interest income and interchange fee income generated from New Jersey card holders. The Tax Court also held that BOA was required to source to the State 50% of its service fee income from New Jersey card holders. On November 1, 2016, the Tax Court issued an order awarding BOA a significantly reduced refund. On December 14, 2016, BOA filed a Notice of Appeal with the Appellate Division. Briefing of the appeal has concluded. Oral argument is expected to be scheduled for the fall of 2019. The State is vigorously defending this matter.

Public Service Electric & Gas Company, Inc. v. Director, Division of Taxation. For tax years 2006 through 2014, Public Service Electric & Gas Company, Inc. ("PSE&G") filed CBT returns and included its transitional energy facility assessment ("TEFA") in its CBT base, in accordance with N.J.S.A. 54:10A-4.1. Thereafter, PSE&G recalculated its CBT liability, removed the TEFA from the tax base and sought a CBT refund. Notably, the Appellate Division recently concluded that TEFA payments are included in the CBT base and denied a similar refund claim. *Rockland Electric Co. v. Director, Div. of Taxation*, 30 N.J. Tax 448 (Tax 2018), aff'd, A-4522-17T2 (App. Div. June 24, 2019), cert. denied. *Rockland Electric Co.* is now final and binding upon the Tax Court. The Division's denied PSE&G's refund claim. On or about May 28, 2019, PSE&G filed a Complaint in the Tax Court of New Jersey, contesting the CBT refund denial. The Division's answer is due on September 25, 2019. The State intends to vigorously defend this matter.

Stanislaus Food Products Co. v. Director, Division of Taxation. On or about July 31, 2017, Stanislaus Foods filed a complaint in the Tax Court contesting the constitutionality of the Corporation Business Tax's Alternative Minimum Assessment ("AMA") component. For periods after June 30, 2006, the AMA is \$0, except for foreign corporations protected from income tax by P.L. 86-272. Stanislaus Foods alleges the AMA discriminates against foreign corporations in violation of the federal constitution's Dormant Commerce Clause and Supremacy Clause. The parties filed partial cross-motions for summary judgment. On June 28, 2019, the Tax Court concluded that the AMA, for periods after June 30, 2016, conflicts with the mandates of federal law P.L. 86-272, and thus, violates the federal Supremacy Clause. The remainder of the case continues to proceed in Tax Court to address remaining non-constitutional issues. The State is vigorously defending this matter.

Cargill Meat Solutions Corporation. v. Director, Division of Taxation. Plaintiff, based out of Kansas, sells meat products and services throughout the United States. Plaintiff does not engage in meat processing or packaging in New Jersey. Rather, its operations in New Jersey are limited to storage and distribution, as it arranges for delivery of its products to a 180-mile radius market covering portions of Pennsylvania, New Jersey, New York and Maryland. In calculating its New Jersey Litter Control Fee liabilities, Plaintiff took a \$465 million deduction in 2014 and \$509 million deduction in 2015, claiming its sales to wholesalers are not subject to the Litter Control Fee under N.J.S.A. 13:1E-216(a), the wholesaler-to-wholesaler exception. The Division disallowed these deductions, finding that the Plaintiff was not entitled to the wholesaler-to-wholesaler exception because even though Plaintiff's sales were all to wholesalers, the Plaintiff is a manufacturer and, thus, not entitled to a wholesaler exemption. Taxation imposed additional Litter Control Fee to comport with the disallowance of the deductions. Plaintiff filed a complaint with the Tax Court contesting the denial of the deduction and, to invalidate the additional Litter Control Fee assessment by challenging the facial constitutionality of the Litter Control Fee statute. The Division filed an answer on July 16, 2018, and on June 14, 2019, filed a motion to dismiss the challenge facial constitutional challenge to the Litter Control Fee. Discovery is ongoing. The State is vigorously defending this matter.

Gomez v. DCPD et al. On March 12, 2012, the Plaintiff child was allegedly assaulted by her biological father. The Plaintiff suffered severe injuries. The DCPD allegedly knew that the Plaintiff's parents had a history of drug and alcohol abuse, psychiatric problems and were unemployed. The biological mother had two other children removed from her care and was in a methadone program when the Plaintiff was born. The biological father also had an extensive criminal history of domestic violence. Plaintiff claims DCPD failed to comply with its own policy and procedure, failed to remove the Plaintiff from the home, negligent training, violation of the New Jersey Child Placement Bill of Rights, and Section 1983 claims. The complaint was filed in State court on February 12, 2015. On March 11, 2015, DCPD removed the case to the U.S. District Court for the District of New Jersey and filed a motion to dismiss the complaint. The State's motion to dismiss the complaint was denied without prejudice on May 8, 2015. The Plaintiff agreed to withdraw the federal claims and the matter was remanded to State court. Discovery is ongoing. The State is vigorously defending this matter.

J.A. v. Monroe Township Board of Education. On May 23, 2018, Plaintiffs filed a complaint in the United States District Court for the District of New Jersey naming the New Jersey Department of Education ("NJDOE"), New Jersey Office of Administrative Law ("NJOAL"), Commissioner of Education, and Administrative Law Judge Jeffrey R. Wilson (collectively "State Defendants"), as well as the Monroe Township Board of Education, as defendants. They purport to bring class action claims against State Defendants under the Individuals with Disabilities Education Act ("IDEA") and 42 U.S.C. § 1983 alleging two (2) separate systemic violations of the IDEA. They also seek to bring a class action declaratory judgment claim against State Defendants and to appeal three (3) separate interlocutory orders of ALJ Wilson. Among other things, Plaintiffs seek the following relief: (1) a

trust fund to provide educational services to all class members for the denial of a Free and Appropriate Public Education ("FAPE") as such term is defined in IDEA; (2) a trust fund to reimburse class members for the denial of a FAPE; (3) punitive damages; and (4) attorneys' fees and costs.

State Defendants filed a motion to dismiss. Plaintiffs opposed that motion and subsequently filed a motion to amend the complaint, seeking to add additional plaintiffs and a claim for "Federal Preemption." The proposed amended complaint seeks the same relief as the original complaint. The U.S. District Court has yet to issue a decision on the State Defendants' motion to dismiss and the Plaintiffs' motion to amend the complaint. The State intends to vigorously defend this matter.

Jersey City Board of Education and E.H., a minor, by his guardian ad litem, Shanna C. Givens v. State of New Jersey. On April 29, 2019, the Jersey City Board of Education ("JCBOE") and E.H., a minor, by his guardian ad litem, Shanna C. Givens ("Plaintiffs") filed a complaint against the State and various State officials (collectively, the "State Defendants") alleging that the recent amendments to the School Funding Reform Act, *N.J.S.A.* 18A:7F-43 to -63, violate the State's constitutional requirement to "provide for the maintenance and support of a thorough and efficient system of free public schools..." *N.J. Const.* art. VIII, § 4. The amendments at issue slowly phase out certain additional State aid previously granted to school districts characterized as "SDA Districts" (located in lower income urban areas). The phase out of this additional State aid is to occur over a six-year period beginning in the 2019-2020 school year. Plaintiffs allege that the reduction in State aid to JCBOE will jeopardize JCBOE's ability to provide the level of funding necessary to meet the legal standard of a "thorough and efficient" education.

The Plaintiffs seek, among other things, a preliminary and permanent injunction enjoining the State Defendants from reducing funding to JCBOE. The State intends to vigorously defend this matter.

Medicaid, Tort, Contract, Workers' Compensation and Other Claims. The Office of the Inspector General of the U.S. Department of Health & Human Services ("OIG") has conducted and continues to conduct various audits of Medicaid claims for different programs administered by the State's Department of Human Services ("DHS"). The OIG audits, which have primarily focused on claim documentation and cost allocation methodologies, recommend that certain claims submitted by DHS be disallowed. OIG submits its recommendations on disallowances to the Centers for Medicare and Medicaid Services ("CMS") which may, in whole or in part, accept or disagree with the OIG's recommendations. If the OIG's recommendations are not challenged by the State or are upheld by CMS, DHS will be required to refund the amount of any disallowances. However, DHS is disputing OIG's audit findings. Given that the State is currently disputing and appealing the OIG audit findings, it cannot estimate any final refund amounts or the timing of any refund payments that may be due to CMS. These current audits and any future audits of Medicaid claims submitted by DHS may result in claim disallowances which may be significant. The State is unable to estimate its exposure for these claim disallowances. See "FINANCIAL RESULTS AND ESTIMATES— Federal Aid— Office of Inspector General Audit of Medicaid" herein for additional discussion of currently pending audits.

At any given time, there are various numbers of claims and cases pending against the State, State agencies and employees, seeking recovery of monetary damages that are primarily paid out of the fund created pursuant to the New Jersey Tort Claims Act (*N.J.S.A.* 59:1-1 *et seq.*). The State does not formally estimate its reserve representing potential exposure for these claims and cases. The State is unable to estimate its exposure for these claims and cases.

The State routinely receives notices of claim seeking substantial sums of money. The majority of those claims have historically proven to be of substantially less value than the amount originally claimed. Under the New Jersey Tort Claims Act, any tort litigation against the State must be preceded by a notice of claim, which affords the State the opportunity for a six-month investigation prior to the filing of any suit against it.

In addition, at any given time, there are various numbers of contract and other claims against the State and State agencies, including environmental claims asserted against the State, among other parties, arising from the alleged disposal of hazardous waste. Claimants in such matters are seeking recovery of monetary damages or other relief which, if granted, would require the expenditure of funds. The State is unable to estimate its exposure for these claims.

At any given time, there are various numbers of claims by employees against the State and State agencies seeking recovery for workers' compensation claims that are primarily paid out of the fund created pursuant to the New Jersey Workers' Compensation Law (*N.J.S.A. 35:15-1 et seq.*). Claimants in such matters are seeking recovery for personal injuries suffered by a claimant by accident arising out of and in the course of the claimant's employment due to the employer's negligence. The State is unable to estimate its exposure for these claims.

In addition, as a result of the shutdown of projects funded by TTFA in summer 2016, both State and local, in accordance with Executive Order 210 (Christie), the State may face various delay and other claims by contractors and consultants working on such projects, along with potential claims by local government units which received TTFA funding awards for local transportation projects. Claimants in such matters are seeking recovery of monetary damages or other relief which, if granted, would require the expenditure of funds. Given the diverse transportation projects, varying impacts on those projects and uncertainty surrounding whether and when claimants would seek relief against the State, the State is unable to estimate its exposure for these claims.

Prior to July 1, 2013, there were various numbers of claims and cases pending against the University of Medicine and Dentistry of New Jersey ("UMDNJ") and its employees, seeking recovery of monetary damages that were primarily paid out of the UMDNJ Self Insurance Reserve Fund created pursuant to the New Jersey Tort Claims Act (*N.J.S.A. 59:1-1 et seq.*). As a result of the enactment of the New Jersey Medical and Health Sciences Education Restructuring Act, L. 2012, c. 45 (the "Restructuring Act"), all of UMDNJ has been transferred to Rutgers, The State University ("Rutgers"), with the exception of the School of Osteopathic Medicine which has been transferred to Rowan University ("Rowan"), and University Hospital in Newark, New Jersey, which now exists as a separate instrumentality of the State. All claims and liabilities of UMDNJ associated with the transferred facilities have been transferred to Rutgers, Rowan and University Hospital, as applicable. Pursuant to the Restructuring Act, Rutgers and Rowan each entered into a memorandum of understanding with the State Treasurer pursuant to which the State shall pay from a self-insurance reserve fund established for each entity medical malpractice claims occurring prior to and post the effective date of the transfers, which was July 1, 2013. The Restructuring Act also provides for University Hospital's medical malpractice claims to be covered by a self-insurance reserve fund established by the State Treasurer. University Hospital entered into a memorandum of understanding with the State Treasurer for such claims. All claims, other than medical malpractice claims, incurred by UMDNJ with respect to the UMDNJ facilities transferred to Rutgers will be paid for by Rutgers out of its own funds. All claims, other than medical malpractice claims, incurred by Rowan will be paid from the Tort Claims Fund. The State is unable to estimate its exposure for these claims.

Approximately two dozen hospitals have challenged in the Office of Administrative Law and the Appellate Division the Medicaid reimbursement rates paid to these hospitals alleging that there were calculation errors or that the methodology used to calculate the rates is incorrect. Additionally, a group of hospitals have challenged the constitutionality of the charity care statute and the inpatient Medicaid rate reimbursement framework. This group of hospitals allege the losses incurred in treatment of the charity care and Medicaid patients is an unconstitutional taking of the hospitals property. These challenges date back to 2002. The State is vigorously defending this matter. To date, there have been no findings against the State. In the event the hospitals are successful, DHS has advised that they may possibly need to refund millions of dollars to the hospitals over the various relevant years. The State is unable to estimate its exposure for these claims.

Affirmative Litigation. From time to time, the State initiates litigation against various entities to enforce State laws, contractual and other rights, pursue cost recoveries and natural resource damages in the environmental arena and prosecute entities who have engaged in alleged fraudulent, negligent or other wrongful conduct. The State is unable to estimate the amount of any monetary recoveries from such affirmative litigation. In addition, depending on which State department, division or agency is the plaintiff, any monetary recoveries may already be included in such State department, division or agency's revenue estimates for the current fiscal year.

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APPENDIX-I-A
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The State of New Jersey issues annually a Comprehensive Annual Financial Report ("CAFR") which includes the general purpose financial statements, the combining financial statements and supplemental schedules reported upon by the State Auditor, as well as, introductory and statistical sections.

The CAFR for the fiscal year ended June 30, 2018 has been separately filed with the MSRB and is incorporated by specific reference in this Appendix I and is considered to be a part hereof.

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APPENDIX-I-B
SUMMARY OF CERTAIN STATE TAXES

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**APPENDIX-I-B
SUMMARY OF CERTAIN STATE TAXES**

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Summary of Certain State Taxes

The following is a summary of certain state taxes in New Jersey:

Alcoholic Beverage Tax

The Alcoholic Beverage Tax applies to the first sale or delivery of beer, liquor, wine and sparkling wine to retailers in New Jersey. This tax is collected from licensed manufacturers, wholesalers and State beverage distributors, based on the number of gallons, or fractions thereof, sold. License fees for manufacturing, distributing, transporting and warehousing alcoholic beverages are also imposed pursuant to this law.

Current Rates: Beer — \$0.12 per gallon; Beginning August 1, 2009: Liquor — \$5.50 per gallon; Wines — \$0.875 per gallon; certain apple ciders — \$0.15 per gallon. *L. 2009, c. 71.*

Beginning Fiscal Year 2010, \$22 million collected from the Alcohol Beverage Tax will be annually deposited in the Health Care Subsidy Fund. *L. 2009, c. 71.*

Casino Control Tax

The Casino Control Act imposes a tax on the “gross revenues” of gambling casinos, as defined by the Act, as well as a gross revenue tax on companies that administer and service multi-casino progressive slot machine systems.

Current Rate: 8% (both taxes).

There is also a \$3 per day occupancy fee on hotel rooms in a casino hotel facility, leaving to the casinos’ discretion whether to pay the charge on behalf of the patrons or charge the patrons for the fee, and fees for casino hotel parking in Atlantic City.

L. 2013, c. 27 amends and supplements the Casino Control Act and authorizes Internet gaming at Atlantic City casinos under certain circumstances. The law imposes an annual 15% tax on Internet gaming gross revenues, which shall be paid into the Casino Revenue Fund. The 8% tax on casino gross revenues excludes Internet gaming, but, the investment alternative tax (*see N.J.S.A. 5:12-144.1*) does apply to those gross revenues at a rate of 5% with the State requiring a partial payment of 2.5% of the estimated taxes.

Revenue received by casinos from sports wagering is subject to an 8.5% tax, while revenue received from Internet sports wagering is subject to a 13% tax. *L. 2019, c. 36.*

Cigarette Tax and Tobacco and Vapor Products Tax

The Cigarette Tax is imposed on the sale, use or possession of all cigarettes within New Jersey. This tax is collected from licensed distributors who receive cigarettes directly from out-of-state manufacturers and also on consumers who possess untaxed cigarettes. Receipts from the sale or use of tobacco products, other than cigarettes, by a distributor or wholesaler to a retail dealer or consumer are subject to the Tobacco Products Wholesale Tax. *L. 1990, c. 39.* As of March 1, 2002, the Tobacco Products Wholesale Tax is imposed on the price that a distributor pays to buy products from the manufacturer. *L. 2001, c. 448.* The Tobacco Products Wholesale Tax is imposed on liquid nicotine used in electronic cigarettes and similar devices. *L. 2018, c. 50.* The Act was renamed the Tobacco and Vapor Products Tax Act and container e-liquid is now subject to the tax. *L. 2019, c. 147.*

Current Rates: Cigarette Tax — \$0.135 per cigarette and \$2.70 per pack of twenty cigarettes; Moist snuff — \$0.75 per ounce with a proportionate tax rate for fractional amounts; Tobacco and Vapor Products Tax — 30%; \$0.10 per milliliter of liquid nicotine with a proportionate tax rate on fractional amounts and 10% of the retail price of container e-liquid.

Annually, the sum of \$1 million from Cigarette Tax revenues is deposited into the Cancer Research Fund. *L. 1982, c. 40.* After this deposit, the first \$150 million collected annually from the Cigarette Tax and the first \$5 million collected annually from the Tobacco Products Wholesale Sales and Use Tax is deposited into the Health Care Subsidy Fund. For fiscal years beginning on or after July 1, 2009, \$241,500,000 of revenue collected from the Cigarette Tax shall be deposited annually into the Dedicated Cigarette Tax Revenue Fund. *L. 2009, c. 70.*

Corporation Business Tax (CBT)

Corporations are subject to mandatory unitary business combined reporting and market sourcing for tax years beginning on and after January 1, 2019. Combined reporting treats the unitary business members of a combined group as one single economic enterprise. Combined reporting is intended to reduce tax sheltering by multistate or multinational businesses. *L. 2018, c. 48.* The definition of "unitary business" has been expanded to mean "a single economic enterprise that is made up either of separate parts of a single business entity or of a group of business entities under common ownership" and is "construed to the broadest extent permitted under the Constitution of the United States." *L. 2018, c. 48.* Provisions regarding the entire net income tax base and operative dates for combined reporting were amended, a CBT deduction in the amount of a federal deduction claimed on certain foreign related income under 26 U.S.C. § 250 was added, and the tax treatment of certain tax credits awarded by the EDA was clarified. In addition, a surtax was imposed with a phase down over four tax years: a 2.5% surtax in Tax Years 2018 and 2019; a 1.5% surtax in Tax Years 2020 and 2021; and no surtax beginning in Tax Year 2022. *L. 2018, c. 131.*

L. 2017, c. 254 authorizes the establishment of a drug donation program that encourages the donation of over-the-counter drugs, prescription drugs, and administrative supplies for use by people who are indigent, uninsured, or underinsured. Drug donors may claim a corporation business tax or gross income tax credit equal to the sum of: the cost of the over-the-counter drugs, prescription drugs and administration supplies; and the verifiable cost incurred to make the donation of the drugs and supplies.

On November 4, 2014, Article VIII, Section II of the State Constitution was amended to provide that from July 1, 2015, until June 30, 2019, an amount equivalent to 4% of the revenue annually derived from the CBT (or any other law of similar effect) be credited to a special account in the General Fund to be appropriated for the preservation, development, and stewardship, of lands for recreation and conversation purposes. Commencing on July 1, 2019, an amount equivalent to 6% of the revenue annually derived from the CBT (or any other law of similar effect) shall be credited to this special account to be appropriated for these purposes.

NJEDA provides tax credits which can be used to offset CBT (as well as Insurance Premiums Tax) through the Urban Transit Hub Tax Credit Act ("UTHTCA"), the Grow New Jersey Assistance Act ("GNJAA"), the New Jersey Economic Stimulus Act of 2009 ("NJESA 2009"), the Public Infrastructure Program ("PIP"), and through BEIP grants. Awards for any of these programs are based on actual performance and achievement of job and capital investment requirements. *L. 2012, c. 35,* amends the UTHTCA to increase the cap on the total amount of tax credits authorized under such Act for eligible businesses making capital investments in the State. The cap was increased from \$1.5 billion to \$1.75 billion, to be utilized over a ten-year period. The overall cap on PIP credits is \$22 million. There is no overall cap on GNJAA credits. The UTHTCA program is now closed to new applications.

L. 2013, c. 14, known as the "New Jersey Angel Investor Tax Credit Act," provides tax credits against CBT and GIT for qualified investments made by high net worth individuals into high-risk start-up ventures. Subject to certain limitations, tax credits equal 10% of a taxpayer's qualifying investment in an emerging technology company, up to a maximum allowed credit of \$500,000 per year for each qualifying investment. The total cap on the credit is \$25 million per year. *L. 2017, c. 40,* permits holding companies of eligible New Jersey emerging technology companies to receive investments under the Act. The amount of the CBT and GIT credits that are available for qualified investments increased from 10% to 20% of the qualified investment and a taxpayer may be allowed a tax credit in an amount equal to 25% of the qualified investment when the emerging technology business is located in a qualified opportunity zone or low income community, as defined by federal law, or is certified by the State as a minority or women's business. *L. 2019, c. 145.*

Credits against the CBT and IPRT are also available to residential developers, through the ERG program, authorized by NJEDA in 2009. The total cap on credits is \$823 million, to be utilized over a ten-year period.

L. 2015, c. 69 provides that mixed use parking project developers are eligible for credits, but does not increase the cap. The ERG program expired on July 1, 2019, and no new applications are being accepted.

NJEDA awarded BEIP grants to certain businesses which met employment goals in New Jersey. L. 2015, c. 194. Most recipients of BEIP grants accrued but not paid between 2008 and 2025 elected to receive the grant in the form of a tax credit against the recipient's CBT (as well as IPRT) obligations. Credits can be sold in certain circumstances by certain entities. The amount of the grant or credit is based on the recipient company's employee GIT withholdings. There was no overall cap on BEIP grants, although the grant was limited to a maximum of \$50,000 per employee. The BEIP program is now closed to new applications.

NJEDA awarded tax credits against CBT and IPRT through the Business Retention and Relocation Assistance Act ("BRRAA"). The overall cap was \$20 million per year. The program was eliminated by L. 2013, c. 161. \$124 million of BRRAA tax credits were approved for companies, which may use the credits over six years. The BRRAA program is now closed to new applications.

Most tax credit programs administered by the NJEDA are nonrefundable, meaning that a taxpayer may not claim a tax credit greater than its tax liability. The nonrefundable status of the tax credits negates the potential for a tax refund based upon the applicable NJEDA tax credit in any tax year for taxpayers without sufficient tax liability. However, many of the tax credits can be sold.

L. 2018, c. 56, known as the "Garden State Film and Digital Media Jobs Act," provides a tax credit for qualified film production expenses and for digital media content production expenses against the CBT and the GIT. The application for the credits must be submitted to the NJEDA and approved in order to receive the credits. For qualified film production expenses, the credit is 30% of the expenses during a tax year beginning on or after July 1, 2018, but before July 1, 2023. The credit is 35% for qualified film production expenses incurred by a taxpayer for services performed or tangible personal property purchased from sellers with a primary place of business in Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Mercer, or Salem County. For digital media content production expenses, the credit is 20% of the qualified digital media content production expenses of the taxpayer during a privilege period beginning on or after July 1, 2018 but before July 1, 2023. The credit is 25% for expenses incurred by a taxpayer in Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Mercer, or Salem County. NJEDA may not approve more than \$75 million in tax credits for qualified film production expenses for Fiscal Year 2019 and in each Fiscal Year thereafter prior to Fiscal Year 2024, and no more than \$10 million in tax credits for qualified digital media content production expenses in Fiscal Year 2019 and in each Fiscal Year thereafter prior to Fiscal Year 2024.

Energy Tax Receipts

To preserve certain revenues while transitioning to more competitive markets in energy and telecommunications, the law concerning taxation of gas and electric public utilities, and certain telecommunication companies was amended, as were tax laws concerning sales of electricity, natural gas, and energy transportation service. Effective January 1, 1998, the Gross Receipts and Franchise Tax previously collected by electric, gas and telecommunications utilities, was eliminated. L. 1997, c. 162. In its place, electric, gas, and telecommunications utilities, became subject to the CBT and the retail sale of electricity and natural gas, with certain exceptions, became subject to the State's Sales and Use Tax. L. 1997, c. 167.

Current Rate for sewerage and water corporations: 5% (2% if gross receipts do not exceed \$50,000) plus 7% on gross receipts plus 0.625% surtax (0.25% if gross receipts do not exceed \$50,000) plus 0.9375%.

Utilities are generally subject to the CBT, with certain exceptions. The retail sale of energy and utility service is subject to the State's Sales and Use Tax, with certain exceptions. A portion of the revenues derived from the taxation of energy and utility service is credited to a special dedicated fund known as the "Energy Tax Receipts Property Tax Relief Fund" ("Fund"). L. 1997, c. 167. Sewerage and water corporations are exempt from the CBT, but are subject to a specific excise tax which applies only to them. Utilities are also assessed by the Board of Public Utilities. Certain utilities may also be subject to the Uniform Transitional Utility Assessment.

L. 2007, c. 94 grants a seven (7) year period of exemption from the State's Sales and Use Tax to qualified manufacturing facilities producing products meeting certain recycled content standards. However, qualified manufacturing facilities will continue to pay the Sales and Use Tax but shall file for quarterly refunds within 30 days of the close of the calendar quarter.

Gross Income Tax (GIT)

The GIT is imposed on enumerated categories of gross income of New Jersey resident individuals, estates and trusts. New Jersey source income, except pension and annuity income or other retirement income, such as income from Internal Revenue Code § 401(k), 403, 414, 457 Plans (*L. 1989, c. 219*), of non-resident individuals, estates and trusts, is also subject to GIT. Gambling winnings of non-residents are subject to the GIT as well. *L. 1993, c. 143*. Non-residents pay GIT based on a statutory calculation which requires non-residents to compute liability as though they are residents and then prorate liability by the proportion of New Jersey source income to total income. *L. 1993, c. 178*. However, the requirement that non-residents must compute their tax liability on a prorated basis may be suspended provided New York State eliminates a similar requirement for its non-resident personal income taxpayers. *L. 1993, c. 320. Current Rates:* Beginning in 1996 and thereafter, further rate reductions enacted pursuant to *L. 1995, c. 165* will result in cumulative decreases from the 1993 taxable year levels of 30%, 15% and 9% for certain taxable income levels.

The graduated rate effective for tax years commencing January 1, 1996 for married couples filing jointly and certain qualified individual filers is: 1.400% on taxable income not exceeding \$20,000; \$280.00 plus 1.750% on taxable income in excess of \$20,000 but not over \$50,000; \$805.00 plus 2.450% on taxable income in excess of \$50,000 but not over \$70,000; \$1,295.50 plus 3.500% on taxable income in excess of \$70,000 but not over \$80,000; \$1,645.00 plus 5.525% on taxable income in excess of \$80,000 but not over \$150,000; and \$5,512.50 plus 6.370% on taxable income exceeding \$150,000.

The graduated rate effective for tax years commencing January 1, 1996 for qualified individual filers is: 1.400% on taxable income not exceeding \$20,000; \$280.00 plus 1.750% on taxable income in excess of \$20,000 but not over \$35,000; \$542.50 plus 3.500% on taxable income in excess of \$35,000 but not over \$40,000; \$717.50 plus 5.525% on taxable income in excess of \$40,000 but not over \$75,000; and \$2,651.25 plus 6.370% on taxable income exceeding \$75,000.

Beginning in 2004 and thereafter, a gross income tax rate of 8.97% is imposed on taxpayers with income over \$500,000. *L. 2004, c. 40*.

Effective January 1, 2018 and thereafter, a new graduated gross income tax rate of 10.75% is imposed on taxpayers with income over \$5,000,000. *L. 2018, c. 45*.

The GIT includes many of the same taxable additions as the federal income tax, but allows only certain deductions such as for personal exemptions, medical expenses, alimony payments, property taxes on principal residences and qualified contributions of certain real property interests. Gross income does not include employer-provided commuter transportation benefits for employees who participate in ride-sharing programs beginning January 1, 1997, \$1,200 is deductible, with this amount annually adjusted based on relevant C.P.I.'s. *L. 1996, c. 121; L. 2002, c. 162*. Gross income also does not include earnings on or distributions from an individual trust account or savings account established pursuant to the New Jersey Educational Savings Trust Program (*L. 1997, c. 237*) or the New Jersey Achieving a Better Life Experience (ABLE) Program (*L. 2015, c. 185*); or contributions to or distributions from a medical savings account excluded from federal gross income under 26 U.S.C. 220 (*L. 1997, c. 414*). Roth IRA's also receive favorable tax treatment. *L. 1998, c. 57*. Additionally, under the "New Jersey Limited Liability Company Act," for State tax purposes, members or assignees of members of the newly created limited liability companies are treated as partners in a partnership and single member limited liability companies are treated as sole proprietorships, unless treated otherwise for federal income tax purposes. *L. 1993, c. 210; L. 1998, c. 79*. Military pension and survivor benefits respecting service in the United States Armed Forces are not included in gross income. *L. 2001, c. 84*. However, for taxable years beginning on or after January 1, 2004, *L. 2005, c. 63* excludes from taxable income housing and subsistence allowances received by New Jersey National Guard members on State Active duty, and by members of the U.S. Armed Forces' active and reserve components (effective April 7, 2005).

Pursuant to *N.J.S.A.* 54A:3A-17, New Jersey resident taxpayers are permitted a deduction of up to \$10,000 from gross income for property taxes. Effective January 1, 2018 and thereafter, the deduction from gross income for property taxes increases to \$15,000. *L.* 2018, c. 45. Married residents filing separately are allowed one-half of the deduction permitted by law on the qualifying homestead. Allowable deductions are subject to certain limitations. The deductions are available in some instances for renters as well. The law also provides for a minimum benefit for certain classes of taxpayers in the form of a \$50 credit, which was phased in for 1996 in the amount of \$25 and for 1997 in the amount of \$37.50. For sales or exchanges of principal residences occurring after May 7, 1997, gains of up to \$500,000 on joint returns and \$250,000 on single returns may be excluded, subject to certain limitations and qualifications. *L.* 1998, c. 3.

The minimum taxable income for gross income tax purposes is amounts in excess of \$10,000 for unmarried individuals, married persons filing separately, estates, and trusts, for tax years commencing January 1, 1999. *L.* 1994, c. 8. With respect to married persons filing joint returns, and individuals filing as head of household or as a surviving spouse for federal income tax purposes pursuant to *N.J.S.A.* 54A:2-1, the minimum taxable income subject to tax is amounts in excess of \$20,000.

L. 2000, c. 80 created an Earned Income Tax Credit (EITC) program in New Jersey. Effective January 1, 2007, an eligible New Jersey resident can claim a credit based upon a percentage of the individual's federal EITC, which is allowed and applied for, under section 32 of the federal Internal Revenue Code of 1986 (26 *U.S.C.* 32). *L.* 2008, c. 109. The credit percentages for eligible claimants are as follows: 20% from 2003 through 2007, 22.5% in 2008, 25% for 2009, 20% for 2010 through 2014, 30% for 2015 (*L.* 2015, c. 73), 35% for 2016 through 2017 (*L.* 2016, c. 57), 37% for 2018 (*L.* 2018, c. 45), 39% for 2019 (*L.* 2018, c. 45) and 40% for 2020 and thereafter. (*L.* 2018, c. 45).

L. 2004, c. 55 amends the Gross Income Tax Act by imposing a Gross Income Tax obligation on nonresident individuals, estates, or trusts to report and pay estimated Gross Income Tax on any gain derived from the sale or transfer of real property in the State. Chapter 55 specifies that county recording officers will act as agents of the Director, Division of Taxation, in collecting the estimated gross income tax due at an amount no less than 2% of the consideration stated in the deed for the sale or transfer of property and transmitting those funds, net of the administrative fee, to the Division of Taxation in such form and manner as the Director will determine.

Chapter 55 further requires that no deed for the sale or transfer of real property by a nonresident will be accepted or recorded by the county recording officer without the simultaneous filing of the appropriate forms and the payment of the tax due or proof of payment. The Act became effective on August 1, 2004. *L.* 2004, c. 55. See also summary of *L.* 2004, c. 66, amending the Realty Transfer Tax, below.

For tax years 2005 and thereafter, Chapter 139 creates a deduction from the GIT for certain health care providers who practice in or near a Health Enterprise Zone. *L.* 2004, c. 139.

For the same taxable periods, *L.* 2005, c. 127 disallows (*i.e.*, "uncouples") the deduction for certain qualified production activities income, which deduction is allowed for federal income tax purposes under the American Jobs Creation Act of 2004 (*Pub. L.* 108-377). Specifically, Section 2 of *c.* 127 specifies that the deduction of any amounts pursuant to § 199 of the federal Internal Revenue Code of 1986, 26 *U.S.C.* 199, shall be disallowed. However, this disallowance shall not apply to amounts deducted pursuant to section 199 of the federal Internal Revenue Code of 1986 that are exclusively based upon domestic production gross receipts of the taxpayer, or allocable to the taxpayer under that section, which are derived only from any lease, rental, license, sale, exchange, or other disposition of qualifying production property. The uncoupling required by Chapter 127 will not apply to gross receipts from qualifying production property manufactured or produced by the taxpayer.

The uncoupling will apply to the other activities described above and that are set forth under the American Jobs Creation Act of 2004, and will apply to qualified production property that was grown or extracted by the taxpayer, (*L.* 2005, c. 127, effective July 6, 2005).

For taxable years beginning after December 31, 2017, the entire IRC §199 deduction has been repealed for federal and New Jersey purposes by the federal Tax Cuts and Jobs Act. (*Pub. L.* 115-97, title I, § 13305(a), Dec. 22, 2017, 131 Stat. 2126). *L.* 2018, c. 48.

For taxable years beginning after December 31, 2017, the GIT is decoupled from any deduction provided under section 199A of the federal Internal Revenue Code. Section 199A allows taxpayers other than corporations a deduction of 20% of qualified business income earned in a qualified trade or business, subject to certain limitations. *L. 2018, c. 48.*

L. 2018, c. 45 provides a nonrefundable tax credit for certain child and dependent care expenses. Effective January 1, 2018, an eligible New Jersey resident taxpayer with New Jersey taxable income of \$60,000 or less can claim a credit for expenses for household and dependent care services based upon a percentage of the individual's federal credit which is allowed and applied for under section 21 of the Internal Revenue Code of 1986 (26 U.S.C. 21). The credit shall be in an amount equal to a percentage of the credit allowed the taxpayer for federal income tax purposes for the taxable year as follows: Income not over \$20,000 receives 50% of federal credit; income over \$20,000 but not over \$30,000 receives 40% of federal credit; income over \$30,000 but not over \$40,000 receives 30% of federal credit; income over \$40,000 but not over \$50,000 receives 20% of federal credit; and income over \$50,000 but not over \$60,000 receives 10% of federal credit.

L. 2005, c. 130 eliminates the GIT pension exclusion and other retirement income exclusion for certain taxpayers. The GIT pension exclusion and other retirement income exclusion will increase over the next four years to a total of \$100,000 for joint filers, \$75,000 for individuals, and \$50,000 for married but filing separately in 2020. *L. 2016, c. 57.*

Effective January 1, 2012, a taxpayer is permitted an alternative business calculation deduction offsetting gains from one type of business with losses from another. *L. 2011, c. 60.* Net business-related losses can be carried forward for up to 20 years. The alternative business deduction is limited to four categories of business income as follows: (1) net profits from business; (2) net gains or net income derived from, or in the form of rents, royalties, patents, and copyrights; (3) distributive share of partnership income; and (4) net pro rata share of S corporation income.

NJEDA awarded BEIP grants to certain businesses which meet employment goals in New Jersey. Recipients of BEIP grants accrued but not paid between 2008 and 2025 can choose to receive the grant in the form of a credit against the recipient's GIT withholding obligations. *L. 2015, c. 194.* A recipient which is a partnership can receive a credit against its GIT withholding obligations or the GIT obligations of certain partners. Credits can be sold in certain circumstances by certain entities. The BEIP program is now closed to new applications.

L. 2009, c. 69 suspends the property tax deduction for tax year 2009 for taxpayers who have gross income for that taxable year of more than \$250,000 and are not: (1) 65 years of age or older; or (2) allowed a personal exemption as a blind or disabled individual and caps the maximum property tax deduction to \$5,000 for taxpayers who have gross income for that taxable year of more than \$150,000, but not exceeding \$250,000, and are not: 65 years of age or older; or allowed a personal exemption as a blind or disabled individual. Chapter 69 also provides that New Jersey State Lottery winnings from prizes exceeding \$10,000 are taxable under the GIT and authorizes the New Jersey State Lottery to withhold a percentage of such winnings for GIT. *L. 2009, c. 69.*

An additional annual personal exemption of \$3,000 is allowed for any individual New Jersey gross income taxpayer who is a veteran honorably discharged or released under honorable circumstances from active duty in the Armed Forces of the United States, a reserve component thereof, or the National Guard of New Jersey in a federal active duty status. *L. 2016, c. 57.* The additional annual personal exemption for veterans was increased from \$3,000 to \$6,000. *L. 2019, c. 146.*

L. 2017, c. 67, the Wounded Warrior Caregivers Relief Act, provides tax credits for qualified family caregivers of qualified armed service members.

L. 2017, c. 174, established the "Gold Star Family Counseling Program" in the Department of Military and Veterans Affairs and provides an annual tax credit that shall be determined by the department as the sum of the hours of donated counseling provided to the Gold Star family member multiplied by the documented compensation rate applied to these hours.

Insurance Premiums Tax

The Insurance Premiums Tax is imposed on net premiums collected by every stock, mutual and assessment insurance company transacting business in New Jersey for insurance contracts covering property and risks in the State. Effective January 1, 1992, health service corporations became subject to tax on their experience-rated health insurance. *L. 1989, c. 295*. A surtax on all automobile insurance premiums, except as exempted by statute, was imposed from June 1, 1990 through May 31, 1992. *L. 1990, c. 8*. There is also a retaliatory tax imposed against foreign insurance companies doing business in New Jersey where the foreign company's state, country, or province (in the event that the foreign country is Canada) imposes an overall tax (including but not limited to fines and penalties) on New Jersey insurance companies doing business in that jurisdiction higher than the tax New Jersey imposes on the foreign company doing business in New Jersey. The tax rate is equal to the difference between the two rates.

Current Rates: 1.05% on group accident and health or legal insurance policies; 2.1% on life and non-life insurance companies; 5% on surplus lines coverage; 5.25% on marine insurance companies; 2% on foreign fire insurance companies.

Chapter 128 modifies the insurance premiums tax treatment of health service corporations. Specifically, Chapter 128 amends the maximum tax rule, which caps taxable premiums at 12.5% of total premiums for any company whose taxable premiums in New Jersey exceed 12.5% of its total taxable premiums. The amendment excludes all health service corporations established pursuant to the provisions of *L. 1985, c. 236 (N.J.S.A. 17:48A-1 et seq.)* from the coverage of the cap. Additionally, the Act imposes the insurance premium tax on all premiums of health services corporations and on any life, accident or health insurance corporation in which a health services corporation owns stock in, controls, or with which it otherwise becomes affiliated (*L. 2005, c. 128*, effective July 2, 2005). Effective January 1, 2009, accident and health insurance premiums are excluded from the taxable premiums cap. *L. 2009, c. 75*.

L. 2009, c. 75, allowed for a one-time transfer of \$60 million from the New Jersey Surplus Lines Insurance Guaranty Fund to the Health Care Subsidy Fund but provided a contingency appropriation not to exceed \$27 million from the General Fund in the event the New Jersey Surplus Lines Insurance Guaranty Fund was left with insufficient funds to meet its obligations under the law. *L. 2009, c. 75*.

Chapter 75 also excludes accident and health insurance premiums from the 12.5% limitation of tax on a company's total premiums when the ratio of New Jersey's business to total business is greater than 12.5%. Moreover, Chapter 75 changed the definition of insurance company to include dental service corporations for purposes of the insurance premiums tax provisions for a period of one year from January 1, 2009 through December 31, 2009. A dental service corporation must file and remit the tax at a rate of 1.35% for the 2009 calendar year on March 1, 2010. *L. 2009, c. 75*.

L. 2011, c. 25 imposes a new tax rate on captive insurance companies. The annual minimum aggregate tax calculated for both direct premiums and assumed reinsurance premiums to be paid is \$7,500 and the annual maximum aggregate tax is \$200,000. With respect to direct premiums, captive insurers must pay a tax of .38 of 1% on the first \$20 million; .285 of 1% of the next \$20 million; .19 of 1% on the next \$20 million and .072 of 1% on each dollar thereafter on the direct premiums collected or contracted for on policies or contracts of insurance written by the company during the year ending December 31. Captive insurers may deduct return premiums including dividends on unabsorbed premiums or premium deposits returned or credited to policyholders. No tax is due or payable on considerations received for annuity contracts. With respect to assumed reinsurance premiums, the tax is imposed at the rate of .214 of 1% on the first \$20 million of assumed reinsurance premiums; .143 of 1% on the next \$20 million; .048 of 1% on the next \$20 million and .024 of 1% of each dollar thereafter. The reinsurance premium tax does not apply to premiums for risks or portions of risks, which are subject to taxation on a direct basis. In addition, the reinsurance premium tax does not apply in connection with the receipt of assets in exchange for the assumption of loss reserves and other liabilities of another insurer under common ownership and control, when (1) the transaction is part of a plan to discontinue the operations of the other insurer and (2) the intent of the parties to the transaction is to renew or maintain the business with the captive insurance company.

L. 2011, c. 119 modifies the tax treatment of surplus lines policies so that the tax payable pursuant to this section shall be based on the total United States premium for the applicable policy when New Jersey is the home state.

Motor Fuels Tax

The Motor Fuels Tax is a tax imposed upon the sale of motor fuel, liquefied petroleum, and aviation gasoline, for use or consumption in the State. While fuel taxes are imposed upon the ultimate consumer, L. 2010, c. 22 requires that the tax be pre-collected by the fuel supplier, permissive supplier, importer, exporter, blender, distributor, aviation fuel dealer, and liquefied petroleum gas dealer. L. 2010, c. 22 changes the point of motor fuel taxation from the retail and distribution system of refineries, pipelines, ships and barges, at a terminal. A reduction in the administrative costs for both taxpayers and tax administrators is expected from changing the point of taxation. L. 2010, c. 22.

Current Rates: Motor Fuel — 10.5 cents per gallon for gasoline and blended fuel that contains gasoline or is intended for use as gasoline; 13.5 cents per gallon for diesel fuel and blended fuel that contains diesel fuel or is intended for use as diesel fuel and kerosene (but does not include aviation grade kerosene). Liquefied Petroleum Gas — 5.25 cents per gallon; Aviation Gasoline — 10.5 cents per gallon. In addition to the foregoing, aviation fuel distributed to a general aviation airport is taxed at 2 cents per gallon. L. 2010, c. 22.

Article VIII, Section 2, Paragraph 4 of the State Constitution provides for a dedication of revenue from the Motor Fuels Tax to the Transportation Trust Fund Account for improvements to the State Transportation infrastructure. Effective July 1, 2007, through the fiscal year beginning July 1, 2015, the dedicated funds shall be an amount equivalent to \$0.105 per gallon. For each subsequent fiscal year, the dedicated funds shall be an amount equivalent to all revenue derived from collection of the Motor Fuels Tax.

Petroleum Gross Receipts Tax

The Petroleum Gross Receipts Tax applies to gross receipts from the first sale or use of petroleum products in New Jersey. Exempt sales include home heating oil and propane gas used exclusively for residential heating, certain sales to non-profit or governmental entities, sales to the federal government (L. 1991, c. 19) and asphalt. This tax does not apply to the sale of fuel oil used by any utility, co-generation facility or wholesale operation facility to generate electricity.

Current Rate: 7% for petroleum products, \$.124 per gallon for fuel oil, \$.266 per gallon for gasoline and liquefied petroleum gas, and \$.307 per gallon for diesel effective November 1, 2016 (L. 2016, c.57). Aviation fuel remains subject to tax at \$0.04 per gallon. Effective October 1, 2018, the tax on gasoline and liquefied petroleum is \$.309 per gallon and the tax on diesel is \$.35 per gallon.

In November 2000 Article VIII, Section 2 of the State Constitution was amended to dedicate to the Transportation Trust Fund Account in the General Fund not less than \$100 million for the fiscal year commencing July 1, 2000, and not less than \$200 million for each fiscal year thereafter from the petroleum products tax to fund transportation infrastructure improvements. For each fiscal year after 2016, an amount equivalent to all revenue from the collection of the tax on gross receipts of petroleum products shall be dedicated to the Transportation Trust Fund Account.

Realty Transfer Tax

The Realty Transfer Tax ("RTT") is imposed on grantors recording deeds or other writings which transfer title to real property located in New Jersey for consideration greater than \$100. Certain transfers of title are exempt from this tax. The Neighborhood Preservation Nonlapsing Fund is funded by the increase in taxes (\$0.75 per \$500) collected on transfers greater than \$150,000, L. 1985, c. 222.

Current Rates: Counties collect the tax at a rate of \$1.75 for each \$500 of consideration up to \$150,000 (\$0.50 is retained by the county, \$1.25 is sent to the State Treasurer) plus \$0.75 per \$500 of consideration over \$150,000. Pursuant to *N.J.S.A. 46:15-10.1(b)*, new construction is exempt from 80% of the State portion of the tax imposed by *N.J.S.A. 46:15-7* (*i.e.*, \$1.00), for each \$500 of consideration under \$150,000. Sales of one and two family, owner-occupied residences owned by senior citizens, blind persons and disabled persons and sales of low and moderate income housing are exempt from the state portion of the tax for each \$500 of consideration or fraction thereof (*i.e.*, \$1.25). *L. 2004, c. 66*.

Pursuant to *N.J.S.A. 46:15-7.1*, a supplemental fee is imposed in addition to the above-recited RTT upon presentation for filing of deeds evidencing transfers of real property. The supplemental fee is also being collected by the counties. The supplemental fee is \$.25 for each \$500 of consideration not in excess of \$150,000; \$.85 for each \$500 of consideration in excess of \$150,000 but not in excess of \$200,000; and \$1.40 for each \$500 of consideration in excess of \$200,000. The law also imposes an additional fee of \$1.00 for each \$500 consideration, not in excess of \$150,000, for transfers of title to property on which there is new construction. The new supplemental fee does not apply to the transfers that are now completely exempt from the current fee and does not apply to the transfers by senior citizens, blind persons, or disabled persons and the transfers of low and moderate income housing. *L. 2003, c. 113*.

A new general purpose fee is imposed under *N.J.S.A. 46:15-7* in addition to the above-recited RTT on grantors upon presentation for filing deeds evidencing transfers of real property whose value is more than \$350,000. *L. 2004, c. 66*. The general purpose fee is also being collected by the counties. The general purpose fee is \$0.90 for each \$500 on the first \$550,000 of the value recited in the deed of transfer; \$1.40 on each \$500 of the value between \$550,000 and \$850,000; \$1.90 on each \$500 of value between \$850,000 and \$1,000,000; and \$2.15 for each \$500 of the value over \$1,000,000. *L. 2004, c. 66*.

In addition, the grantee (buyer) of residentially-zoned real property, whether improved or not, is required to pay a separate fee equal to 1% of the full amount of the consideration for consideration in excess of \$1,000,000. The fee imposed by subsection a. of *L. 2004, c. 66*, § 8 (*N.J.S.A. 46:15-7.2*) shall not apply to a deed if the transfer of real property is incidental to a corporate merger or acquisition if the equalized assessed value of the real property transferred is less than 20% of the total value of all assets exchanged in the merger or acquisition. *L. 2006, c. 33*. Pursuant to Section 9 of *L. 2004, c. 66*, the 2004 RTT amendments apply to deeds presented for recording that evidence real property transfers occurring on or after August 1, 2004. Effective February 1, 2005, *L. 2005, c. 19* amended the 1% fee so that it only applies to the purchase of certain types of residentially-zoned property for consideration in excess of \$1,000,000, including real property that: (1) is classified for assessment purposes as Class 2 (residential); (2) includes certain property classified for assessment purposes as Class 3A (farm property (regular)) and other real property sold in conjunction with such property; or (3) that is a cooperative unit; or (4) that is classified pursuant to the requirements of *N.J.A.C. 18:12-2.2* as Class 4A (commercial properties). *L. 2006, c. 33*. If a transfer includes property classified pursuant to the requirements of *N.J.A.C. 18:12-2.2* as Class 4 property or any type, the parties to the transaction shall file affidavits of consideration indicating the consideration, the county and municipality in which the property is situated, and the block and lot description of the real property conveyed.

L. 2006, c. 33 did not alter *L. 2005, c. 19*, which exempts from the fee any transfer to a 26 U.S.C. 501(c)(3) charitable organization, and permits a full refund to be provided to a buyer who paid the fee but would not have been required to do so under the amended law.

Sales and Use Tax

The Sales and Use Tax ("SUT") is imposed on the receipts from: (a) the retail sale, rental or use of tangible personal property not specifically exempted by statute; (b) the retail sale of services, except for resale, including producing, fabricating, processing, installing, maintaining, repairing, storing and servicing tangible personal property and certain advertising services; (c) sales of food and drink by restaurants and other similar establishments; and (d) the sale, except for resale, of telecommunications. This tax is also imposed on the rental of hotel and motel rooms, and certain admission charges including those for professional wrestling. Effective July 1, 1992, retail sales of alcoholic beverages are also subject to this tax. *L. 1990, c. 40*. Beginning on October 1, 2018, the rental of a transient accommodation is subject to this tax and to the State Occupancy Tax unless the transaction is completed through a New Jersey real estate broker. *L. 2018, c. 49*. Rentals of hotels, motels, and

transient accommodations located in one of the 14 municipalities that participate in the Meadowlands revenue sharing program are subject to an additional 3% Meadowlands regional hotel use assessment. *L. 2018, c. 49; L. 2018, c. 52.* On and after August 9, 2019, transient accommodation taxes and fees are only applicable when the renter obtains the rental unit through a transient space marketplace or when the unit is professionally managed. *L. 2019, c. 235.* In addition, travel agencies and online travel agencies are now considered to be transient space marketplaces and are required to collect the transient accommodation taxes and fees.

Current Rate: 7% (*L. 2006, c. 44*). The rate is reduced from 7% to 6.875% on and after January 1, 2017 and the tax rate decreased to 6.625% on and after January 1, 2018. (*L. 2016, c. 57*).

As of October 1, 2006, the scope of the SUT Act is broadened to include "digital property" and some services. Digital property includes delivered music, ringtones, movies, books, audio and video works and similar products where the customer is granted a right or license to use, retain, or make a copy of such an item. *L. 2006, c. 44.* *L. 2011, c. 49* deleted the term "digital property" and replaced the term with "specified digital product."

The Sales Tax is also extended as of October 1, 2006, to services, subject to some exemptions, including, but not limited to, furnishing of space for storage; parking, storing or garaging a motor vehicle; tanning services, massage services, tattooing, investigation and security services, information services, limousine services originating within New Jersey; and initiation fees, membership fees or dues for access to the use of property or facilities of a health and fitness, athletic, sporting or shopping club or organization. *L. 2006, c. 44.* The imposition of sales and use tax on limousine transportation services is repealed. *L. 2017, c. 27.*

Qualified businesses engaged in making retail sales in a designated Urban Enterprise Zone ("UEZ") are authorized to collect sales tax equal to 50% of the tax rate in effect, except on sales of alcoholic beverages, cigarettes, motor vehicles, restaurant meals, room rentals, catalog sales, and services. *L. 1983, c. 303; L. 1993, c. 40.* Retail sales of personal property (except motor vehicles and energy) and sales of services (except telecommunications services and utility services) to a qualified business for the exclusive use or consumption of such business within the UEZ are exempt from sales tax. *L. 2007, c. 328.* Further, receipts from sales made to contractors or repairmen of materials, supplies, or services, for exclusive use in erecting structures or building on, or otherwise improving, altering, or repairing real property of a qualified business within the UEZ, are also exempt from sales tax.

Under the Brownfields Reimbursement Program, the State provides cash payments to developers in an amount equivalent to 75% of the estimated costs of remediation of a contaminated site from new incremental sales and other taxes paid to the State from the project site. The grant payments are made after completion of the project and subject to receipt of taxes over a maximum period stated in the agreement. There is no cap on the Brownfields Reimbursement program. There is also a program for the remediation of municipal landfills in which eligible developers under redevelopment agreements negotiated with the State may receive reimbursement of 75% of the costs of closure and remediation of municipal solid waste landfills after the sites are redeveloped, from one half of the sales tax collected on non-exempt sales generated from businesses located on the sites. *L. 1996, c. 124.*

Article VIII, Section II of the State Constitution provides for the dedication of up to \$98 million annually from sales tax revenues for open space, farmland and historic preservation commencing on July 1, 1999 and the dedication of and not less than \$200 million annually for credit to the Transportation Trust Fund Account in the General Fund to be used to fund improvements to the State's transportation infrastructure.

L. 2003, c. 136, effective August 1, 2003, exempts from sales tax receipts from rentals of tangible personal property between related business entities. To qualify for this exemption, the entities must be 80% or more owned by each other or 80% owned by the same third parties. This exemption became operative November 1, 2003.

Effective October 1, 2005, *L. 2005, c. 126* conforms New Jersey's SUT Act to the Streamlined Sales and Use Tax Agreement. These amendments to the SUT Act enable the State to join with 42 other states and the District of Columbia to continue the task of seeking common definitions and uniformly understood tax principles. Key features of the Agreement incorporated in the SUT Act by Chapter 126 include certain uniform definitions and determinations of transactions subject to sales and use taxation, uniform exemptions from tax, rate simplification,

various administrative provisions, and an amnesty program for uncollected or unpaid sales and use tax for certain sellers under specified circumstances.

As of July 1, 2014, the State's sales tax collection and remittance requirements extend to remote sellers who solicit New Jersey customers through an agreement with an independent contractor, or other representative, who has a physical presence in the State. The law creates a rebuttable presumption that remote sellers have nexus with the State from those referrals obtained through an Internet website link, or otherwise, and from which the seller derives over \$10,000 in annual taxable sales. *L. 2014, c. 13.*

Effective November 1, 2018, following the U.S. Supreme Court decision in *South Dakota v. Wayfair*, in which the Court determined that physical presence within a state was not a prerequisite for the collection of sales tax. *L. 2018, c. 132* established sales tax nexus for remote sellers. Nexus is established when a seller makes \$100,000 in taxable sales or 200 or more separate transactions into the State in a calendar year or in a prior year and the seller must collect the tax. A "marketplace facilitator" now has sales tax collection and reporting requirements. A "marketplace facilitator" means any person or business who provides a forum to a retailer to advertise, promote, and list the retailer's products and who also collects receipts from the customer and remits payment to the seller.

Commercial redevelopment projects qualifying under the ERG program are eligible for funding of up to 20% of the total cost of the project. *L. 2009, c. 90.* The funds are paid to the developer out of incremental tax revenue from the project, which is primarily SUT, but also includes various other taxes. The payments are made from up to 75% of incremental tax revenue (85% in a Garden State Growth Zone) over a period of up to twenty years. The ERG program expired on July 1, 2019, and no new applications are being accepted.

Exemptions from the SUT include, but are not limited to: prescription medicines and drugs; enumerated medical equipment and supplies; clothing (except fur clothing) and footwear; household paper products; recycling equipment; certain sales of direct mail advertising materials for distribution to out-of-State recipients and related printing and production costs; certain sales of materials and supplies for contractors' use in constructing, improving or rehabilitating housing projects financed by the New Jersey Housing and Mortgage Financing Agency and other government subsidiaries; sales of telephones, telephone lines, cables, central office equipment or station apparatus or other similar equipment, provided that the sale is made to a service provider subject to the jurisdiction of the Board of Public Utilities or the Federal Communications Commission; coin-paid charges for coin-operated telecommunications devices; and property used directly and primarily on farms. The SUT on receipts from certain retail sales in counties in which there is an entrance to an interstate bridge or tunnel connecting New Jersey with a state which does not impose a sales and use tax or imposes such a tax at a rate at least five percentage points lower than the New Jersey rate, is reduced by 50%. *L. 1993, c. 373.* Sales and leases of new and used boats and other vessels are exempt to the extent of 50% of the tax imposed under the SUT Act, with a cap of \$20,000 on the total tax. *L. 2015, c. 170.* In addition, out-of-state boats operated and registered lawfully can be used in New Jersey in a non-commercial manner for up to 30 days per year without incurring use tax. Sales of materials integral to sand casting processes and operations are now exempt from SUT. *L. 2019, c. 98.*

Transfer Inheritance and Estate Tax

The Transfer Inheritance Tax applies to the transfer of all personal property, New Jersey real property and intangible personal property wherever situated, having a market value of \$500 or more in estates of resident decedents and of real and tangible personal property located within New Jersey of nonresident decedents. No tax is imposed on transfers made to a husband, wife or child of a decedent. *L. 1985, c. 57.*

Current Rates: 11% to 16%, depending on the relationship of the beneficiaries to the decedent and the amount received by each beneficiary.

For decedents dying after December 31, 2001, but before January 1, 2018, the estate tax is computed in accordance with the federal estate tax as of December 31, 2001 or under a simplified method prescribed by the Director of the Division of Taxation, as the estate representative may elect. *L. 2002, c. 31.* The estate tax is due nine months after the death of the decedent.

The New Jersey Estate Tax exemption will increase from \$675,000 to \$2 million for the estates of resident decedents dying on or after January 1, 2017, but before January 1, 2018. For these estates, the New Jersey Estate Tax no longer conforms to the provisions of the federal Internal Revenue Code of 1986 in effect on December 31, 2001, and instead follows the current federal Internal Revenue Code for determining the value of the estate which will be subject to New Jersey Estate Tax. *L. 2016, c.57.*

New Jersey Estate Tax was reduced to zero percent and is not imposed on transfers of estates of resident decedents dying on or after January 1, 2018. *L. 2016, c. 57.*

APPENDIX II

PROPOSED FORMS OF LEGAL OPINIONS

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PROPOSED FORM OF APPROVING OPINIONS OF
EACH OF THE ATTORNEY GENERAL OF THE STATE OF NEW JERSEY
AND BOND COUNSEL EXPECTED TO BE DELIVERED IN CONNECTION
WITH THE ISSUANCE OF THE BONDS

[Date of Closing]

The Honorable Philip D. Murphy,
Governor of the State of New Jersey

The Honorable Elizabeth Maher Muoio
New Jersey State Treasurer

The Honorable David Ridolfino
Acting Director of Division of Budget and Accounting in the Department of the Treasury

RE: State of New Jersey \$150,000,000 General Obligation Bonds (Tax-Exempt) (Various Purposes) and \$175,000,000 General Obligation Bonds, Securing Our Children's Future Bonds (2018) (Series A) (Federally Taxable)

Dear Governor Murphy, Treasurer Maher Muoio and Director Ridolfino:

We have examined the Constitution and statutes of the State of New Jersey (the "State") and a record of proceedings and other proofs relating to the sale and issuance of \$150,000,000 aggregate principal amount of its General Obligation Bonds (Tax-Exempt) (Various Purposes) consisting of Water Supply Bonds (1981) (Series M), Hazardous Discharge Bonds of 1986 (Series J), Stormwater Management and Combined Sewer Overflow Abatement Bonds (1989) (Series H), Port of New Jersey Revitalization, Dredging, Environmental Cleanup, Lake Restoration, and Delaware Bay Area Economic Development Bonds (1996), 2009 New Jersey Green Acres, Water Supply and Floodplain Protection, and Farmland and Historic Preservation Bonds (Series D), New Jersey Library Construction Bonds (2017) (Series A) (collectively, the "Tax-Exempt Bonds") and \$175,000,000 aggregate principal amount, General Obligation Bonds, Securing Our Children's Future Bonds (2018) (Series A) (Federally Taxable) (the "Taxable Bonds" and, together with the Tax-Exempt Bonds, the "Bonds").

The Bonds are dated the date of delivery thereof and shall bear interest from such date, payable semiannually on June 1 and December 1 of each year, commencing June 1, 2020, at the respective rates per annum, and will mature on June 1 in each of the years and in the principal amounts, all as set forth in the January 7, 2020 Resolution

The Bonds are issuable as fully registered bonds, without coupons, and when issued will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, an automated depository for securities and clearinghouse for securities transactions. Purchases of the Bonds will be made in book-entry form (without certification) in the denomination of \$5,000 or any integral multiple thereof.

The Water Supply Bonds are authorized and issued under and pursuant to the provisions of the Water Supply Bond Act of 1981, constituting Chapter 261 of the Laws of New Jersey of 1981, as amended by Chapter 355 of the Laws of New Jersey of 1983 and Chapter 223 of the Laws of New Jersey of 1997.

The Hazardous Discharge Bonds of 1986 are authorized and issued under and pursuant to the provisions of the Hazardous Discharge Bond Act of 1986, constituting Chapter 113 of the Laws of New Jersey of 1986, as amended by Chapter 182 of the Laws of New Jersey of 1989.

The Stormwater Management and Combined Sewer Overflow Abatement Bonds are authorized and issued under and pursuant to the provisions of the Stormwater Management and Combined Sewer Overflow Abatement Bond Act of 1989, constituting Chapter 181 of the Laws of New Jersey of 1989, as amended by Chapter 225 of the Laws of New Jersey of 1997.

The Port of New Jersey Revitalization, Dredging, Environmental Cleanup, Lake Restoration, and Delaware Bay Area Economic Development Bonds are authorized and issued under and pursuant to the provisions of the Port of New Jersey Revitalization, Dredging, Environmental Cleanup, Lake Restoration, and Delaware Bay Area Economic Development Bond Act of 1996, constituting Chapter 70 of the Laws of New Jersey of 1996.

The 2009 New Jersey Green Acres, Water Supply and Floodplain Protection, and Farmland and Historic Preservation Bonds are authorized and issued under and pursuant to the provisions of the Green Acres, Water Supply and Floodplain Protection, and Farmland and Historic Preservation Bonds Act of 2009, constituting Chapter 117 of the Laws of New Jersey of 2009.

The New Jersey Library Construction Bonds are authorized and issued under and pursuant to the provisions of the New Jersey Library Construction Bond Act, constituting Chapter 149 of the Laws of New Jersey of 2017.

The Securing Our Children's Future Bonds (Federally Taxable) are authorized and issued under and pursuant to the provisions of the Securing Our Children's Future Bond Act, constituting Chapter 119 of the Laws of the State of New Jersey of 2018.

Based on the foregoing, we are of the opinion that:

1. The sale and issuance of the Bonds are authorized by the Constitution and statutes of the State and by the resolutions of the Issuing Officials (as defined in the Act) adopted on October 16, 2019 and January 7, 2020.

2. The Bonds are valid and legally binding direct and general obligations of the State, and the faith and credit of the State are pledged for the payment of the interest thereon as the same shall become due and the payment of the principal thereof at the stated maturity date thereof or upon earlier redemption.

Further, we have examined an executed Bond of each series and, in our opinion, the form and execution of such Bonds are regular and proper.

Respectfully,

PROPOSED FORM OF TAX OPINION OF BOND COUNSEL

[Date of Closing]

The Honorable Philip D. Murphy,
Governor of the State of New Jersey

The Honorable Elizabeth Maher Muoio
New Jersey State Treasurer

The Honorable David Ridolfino
Acting Director of Division of Budget and Accounting in the Department of the Treasury

RE: State of New Jersey \$150,000,000 General Obligation Bonds (Tax-Exempt) (Various Purposes) and \$175,000,000 General Obligation Bonds, Securing Our Children's Future Bonds (2018) (Series A) (Federally Taxable)

Dear Governor Murphy, Treasurer Maher Muoio and Director Ridolfino:

We have examined the Constitution and statutes of the State of New Jersey (the "State") and a record of proceedings and other proofs relating to the sale and issuance of \$150,000,000 aggregate principal amount of its General Obligation Bonds (Tax-Exempt) (Various Purposes) consisting of Water Supply Bonds (1981) (Series M), Hazardous Discharge Bonds of 1986 (Series J), Stormwater Management and Combined Sewer Overflow Abatement Bonds (1989) (Series H), Port of New Jersey Revitalization, Dredging, Environmental Cleanup, Lake Restoration, and Delaware Bay Area Economic Development Bonds (1996), 2009 New Jersey Green Acres, Water Supply and Floodplain Protection, and Farmland and Historic Preservation Bonds (Series D), New Jersey Library Construction Bonds (2017) (Series A) (collectively, the "Tax-Exempt Bonds") and \$175,000,000 aggregate principal amount, General Obligation Bonds, Securing Our Children's Future Bonds (2018) (Series A) (Federally Taxable) (the "Taxable Bonds" and, together with the Tax-Exempt Bonds, the "Bonds"), including (i) a tax certificate of the State dated the date hereof (the "Tax Compliance Certificate"), given pursuant to the Internal Revenue Code of 1986, as amended ("Code"), and (ii) the other documents and instruments listed on the Closing Index in respect of the Bonds dated the date hereof. We have also examined a fully executed and authenticated Bond of each series and we assume all other Bonds are in such respective forms and are similarly executed and authenticated.

In rendering the opinion set forth below, we have relied upon the genuineness, accuracy and completeness of all documents, records, certifications and other instruments we have examined, including, without limitation, the authenticity of all signatures appearing thereon.

Except with respect to paragraph 1 below, our opinion is given only with respect to the laws of the State of New Jersey as enacted and construed on the date hereof.

Based on the foregoing, we are of the opinion that:

1. Under existing statutes, regulations, rulings and court decisions, interest on the Tax-Exempt Bonds, including interest in the form of original issue discount, will not be includible in gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the State with the requirements of the Code.

In the Tax Compliance Certificate, the State represents that the State expects and intends to be able to comply with, and will, to the extent permitted by law, comply with, the provisions and procedures set forth in the Tax Compliance Certificate and will do and perform all acts and things necessary or desirable in order to assure that interest on the Tax-Exempt Bonds will be and remain excluded from gross income for Federal income tax purposes. In rendering this opinion, we have assumed compliance by the State with its representations in the Tax Compliance Certificate. These representations relate to, inter alia, the use and investment of proceeds of the Tax-Exempt Bonds, and the rebate to the United States Department of Treasury of specified arbitrage earnings, if any. Failure to comply with such representations could result in interest on the Tax-Exempt Bonds becoming includible in gross income for federal income tax purposes from the date of issuance of the Tax-Exempt Bonds.

2. Under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Bonds and any gain from the sale thereof are not includible in gross income of the holders thereof.

We express no opinion as to any matter not set forth in the numbered paragraphs herein. This opinion is rendered on the basis of federal law and the internal laws of the State as enacted and construed on the date hereof. This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect changes in law which may hereafter occur or changes in facts or circumstances which may hereafter come to our attention.

Notwithstanding anything to the contrary contained herein, the undersigned acknowledges that this opinion is a government record subject to release to the extent provided therein, under the Open Public Records Act (N.J.S.A. 47:1A-1 et seq.).

Very truly yours,

APPENDIX III

FORM OF AGREEMENT WITH RESPECT TO CONTINUING DISCLOSURE

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AGREEMENT WITH RESPECT TO CONTINUING DISCLOSURE

The State of New Jersey (the "State") hereby undertakes for the benefit of the beneficial holders of (i) \$15,00,000 Water Supply Bonds (1981) (Series M), (ii) \$11,000,000 Hazardous Discharge Bonds of 1986 (Series J), (iii) \$5,000,000 Stormwater Management and Combined Sewer Overflow Abatement Bonds (1989) (Series H), (iv) \$10,500,000 Port of New Jersey Revitalization, Dredging, Environmental Cleanup, Lake Restoration and Delaware Bay Area Economic Development Bonds (1996) (Series J), (v) \$33,500,000 2009 Green Acres, Water Supply and Floodplain Protection, and Farmland and Historic Preservation Bonds (Series D), (vi) \$75,000,000 2017 New Jersey Library Construction Bonds (2017) (Series A) and (vii) \$175,000,000 Securing Our Children's Future Bonds (2018) (Series A) (Federally Taxable) (collectively, the "Bonds"), to provide information pertaining to the State generally of the type set forth in Section (b)(5)(i) of Rule 15c2-12 promulgated pursuant to the Securities Exchange Act of 1934 (as such Section is now in effect) (hereinafter, the "Rule"), while the Bonds are outstanding.

In connection therewith, (i) annual financial information and operating data of the State substantially of the type captioned as follows in APPENDIX I to the Official Statement, dated January __, 2020, pertaining to the Bonds under the headings: "STATE FINANCES," "FINANCIAL RESULTS AND ESTIMATES," "TAX AND REVENUE ANTICIPATION NOTES," "LONG-TERM OBLIGATIONS," "MORAL OBLIGATIONS," "STATE EMPLOYEES," "STATE FUNDING OF PENSION PLANS," "FUNDING POST-RETIREMENT MEDICAL BENEFITS," and "LITIGATION" and (ii) the State's Comprehensive Annual Financial Report, being the report prepared annually by the Office of the State Auditor with respect to the State's general purpose financial statements for each year, in accordance with provisions of the Governmental Accounting Standards Board Statements No. 34 and No. 35 (the "Report"), in each case, will be provided in an electronic format, accompanied by such identifying information as shall be prescribed by the Municipal Securities Rulemaking Board (the "MSRB") Rule G-32, which shall be in effect on the date of filing of such information, and may cross-reference other information which is available to the public on the MSRB's internet website or which has been filed with the SEC (and if the document incorporated by reference is a final official statement, it must be available from the MSRB), to the MSRB, by not later than April 1 of each year thereafter during which any of the Bonds remain Outstanding, with respect to the fiscal year of the State ending the preceding June 30, commencing with the fiscal year of the State ending June 30, 2019; provided however, that the audited financial statements of the State may be submitted separately if such audited financial statements are not available by such date but only if the unaudited financial statements are included in the submission.

Additionally, in a timely manner not in excess of ten (10) business days after the occurrence of such event, the State shall deliver to the MSRB or such other entity then required or permitted under the Rule, in such electronic format as is prescribed by the MSRB and accompanied by such identifying information as is prescribed by the MSRB, notice of the occurrence of any of the following events (collectively, "Reportable Events") with respect to the Bonds, to the extent such Reportable Events may be applicable to the Bonds:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;
3. Unscheduled draws on any debt service reserves reflecting financial difficulties;
4. Unscheduled draws on any credit enhancements reflecting financial difficulties;
5. Substitution of any credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
7. Modifications to rights of bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing payment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the State;
13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee, or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation (as defined below) of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

With respect to events (15) and (16), "Financial Obligation" means (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B), but shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Also, in a timely manner, not later than the last business day of the month in which the Report was due, the State shall deliver to the MSRB or such other entity then required or permitted under the Rule, in such electronic format as is prescribed by the MSRB and accompanied by such identifying information as is prescribed by the MSRB, notice of a failure to provide the Report on or before the date specified herein.

The sole and exclusive remedy for any failure of the State to provide the information in the manner specified in this Agreement shall be the right to obtain specific performance of such obligation to provide such information in a judicial proceeding instituted in accordance with applicable legislation pertaining to suits against the State; provided, however, that the State shall have received written notice of any such failure at least sixty (60) days prior to the commencement of any such judicial proceeding.

This Agreement shall be governed by and construed in accordance with the laws of the State.

This Agreement shall constitute a contract with the beneficial holders of the Bonds. The State's obligations under this Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

Notwithstanding any other provisions of this Agreement, the State may amend this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver is supported by a written opinion of counsel expert in federal securities law acceptable to the State, addressed to the State, to the effect that such amendment or waiver will not, in and of itself, cause the undertakings herein to violate the Rule.

Nothing in this Agreement shall be deemed to prevent the State from disseminating any other information using the means of dissemination set forth in this Agreement or any other means of communication in addition to that which is required by this Agreement. If the State chooses to include any information or notice of occurrence of an event in addition to that which is specifically required under this Agreement, the State shall not have any obligation under this Agreement to update or continue to provide such information.

Any information provided pursuant to this Agreement may be submitted as a single document or as separate documents constituting a package and may cross-reference other information submitted.

IN WITNESS WHEREOF, the State Treasurer has caused this Agreement to be executed and delivered on behalf of the State of New Jersey this ____ day of _____, 20__.

TREASURER,
STATE OF NEW JERSEY

Elizabeth Maher Muoio
State Treasurer

[SIGNATURE PAGE TO AGREEMENT WITH RESPECT TO CONTINUING DISCLOSURE]

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APPENDIX IV

BOOK-ENTRY ONLY SYSTEM

The information in this APPENDIX IV concerning The Depository Trust Company ("DTC") and DTC's book-entry only system has been provided by DTC. Accordingly, the State takes no responsibility for the accuracy or completeness of such information and neither the DTC Participants nor the Beneficial Owners (as defined below) should rely on such information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.

General. DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. Initially, one fully registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity of the Bonds as set forth on the inside front cover page of this Official Statement, and will be deposited with DTC. The following discussion will not apply to any Bonds issued in certificate form due to the discontinuance of DTC's Book-Entry System, as described below.

DTC and its Participants. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchase of Ownership Interests. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of a Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners, are however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial

Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

Transfers. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the documents relating to the Bonds. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and request that copies of notices be provided directly to them. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Voting. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to any matter related to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of Principal and Interest. Redemption proceeds and payments of the principal of and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the State or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (or its nominee), the State or the Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or the Paying Agent, disbursement of such

payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Discontinuation of Book-Entry System. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the State or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates for the Bonds are required to be printed and delivered. The State may decide to discontinue the use of the system of book-entry only transfers through DTC (or a successor depository). In that event, Bond certificates will be printed and delivered to DTC.

THE STATE AND THE PAYING AGENT, IF ANY, CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO THE DIRECT PARTICIPANTS OR THAT THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS, (I) PAYMENTS OF PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OF OR INTEREST ON THE BONDS, (II) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTEREST IN THE BONDS OR (III) NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED ABOVE.

NEITHER THE STATE NOR THE PAYING AGENT, IF ANY, WILL HAVE ANY RESPONSIBILITY OR OBLIGATION, EITHER SINGULARLY OR JOINTLY, TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT, OR ANY PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE BONDS UNDER OR THROUGH DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT, OR ANY OTHER PERSON WHICH IS NOT SHOWN ON THE REGISTRATION BOOKS OF THE STATE KEPT BY THE REGISTRAR AS BEING A BONDHOLDER. THE STATE AND THE PAYING AGENT, IF ANY, SHALL HAVE NO RESPONSIBILITY WITH RESPECT TO (I) ANY OWNERSHIP INTEREST IN THE BONDS; (II) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, CEDE & CO., ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (III) THE DELIVERY TO ANY PARTICIPANT OR ANY BENEFICIAL OWNER OF ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE BONDS UNDER THE RESOLUTION; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OF OR INTEREST ON THE BONDS; (V) THE SELECTION BY DTC OR ANY PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; (VI) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR CEDE & CO. AS THE OWNER OF THE BONDS; OR (VII) ANY OTHER MATTER.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF ALL OF THE BONDS, REFERENCES IN THIS APPENDIX IV TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO. OR DTC AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

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SPONSOR	

AN ACT authorizing the creation of a debt of the State of New Jersey by the issuance of bonds of the State in the aggregate principal amount of \$5,000,000,000 for the purpose of responding to the fiscal exigencies caused by the COVID-19 Pandemic; authorizing the Governor to apply for and receive federal stimulus loans for the benefit of the State; authorizing the Governor to apply for and receive federal stimulus loans for the benefit of local government units; authorizing the issuance of refunding bonds and emergency liquidity notes; and providing the ways and means to pay and discharge the principal of and interest on the bonds.

"New Jersey COVID-19 Emergency Bond Act," authorizes issuance of State bonds totaling \$5,000,000,000 and authorizes borrowing from federal government.

PRIME Sponsor _____ / _____

CO-Sponsor	District	CO-Sponsor	District
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Same as _____ 18/19 Same as _____ 20/21

Suggested allocation: T & E

AN ACT authorizing the creation of a debt of the State of New Jersey by the issuance of bonds of the State in the aggregate principal amount of \$5,000,000,000 for the purpose of responding to the fiscal exigencies caused by the COVID-19 Pandemic; authorizing the Governor to apply for and receive federal stimulus loans for the benefit of the State; authorizing the Governor to apply for and receive federal stimulus loans for the benefit of local government units; authorizing the issuance of refunding bonds and emergency liquidity notes; and providing the ways and means to pay and discharge the principal of and interest on the bonds.

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

1. This act shall be known and may be cited as the “New Jersey COVID-19 Emergency Bond Act.”

2. The Legislature finds and declares that:

a. Due to the increase in the number of SARS-CoV-2 novel coronavirus (“COVID-19”) cases in New Jersey, the surrounding region and across the globe, the Governor of the State of New Jersey (the “Governor”) issued Executive Order No. 103 declaring a public health emergency and a state of emergency in the State of New Jersey (the “State”) on March 9, 2020. The declaration allows for certain executive actions to respond to the increasing number of COVID-19 cases in the State.

b. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic, and on March 13, 2020, the President of the United States proclaimed that the COVID-19 outbreak constituted a national emergency.

c. On March 16, 2020, the Governor issued Executive Order No. 104, whereby the Governor ordered restrictions, including that all K-12 schools be closed (with limited exceptions); all universities and colleges in the State cease in-person instruction; casinos, racetracks, in-person sports wagering, gyms and fitness centers, and entertainment centers be closed; non-essential businesses cease operations from 8:00 p.m. to 5:00 a.m., and when open, adhere to limited occupancy restrictions; and all restaurants and bars close except for delivery or take-out services.

d. On March 19, 2020, the Governor issued Executive Order No. 105, whereby the Governor, among other things, ordered that certain local elections scheduled during the rest of March and in April be moved to May 12, 2020, and that all elections on May 12, 2020, take place via mail-in ballot only.

e. On March 19, 2020, the Governor issued Executive Order No. 106, whereby the Governor, among other things, ordered that no lessee, tenant, homeowner or any other person shall be removed from a residential property by foreclosure or eviction; and that enforcement of all judgments for possession, warrants for removal, and writs of possession are stayed while Executive Order No. 106 is

in effect, unless the court hearing the matter determines that enforcement is necessary in the interests of justice.

f. On March 21, 2020, the Governor issued Executive Order No. 107, which superseded the operative paragraphs of Executive Order No. 104 and whereby the Governor ordered that for the most part all State residents remain home or at their place of residence except for certain very limited exceptions. The Governor also ordered that all non-essential retail businesses be closed to the public.

g. On March 21, 2020, the Governor issued Executive Order No. 108, whereby the Governor ordered that any county or municipal restriction imposed in response to COVID-19 that in any way conflicts with the provisions of Executive Order No. 107 is invalidated; and no municipality, county or any agency or political subdivision of the State may enact any order, rule, regulation, ordinance, or resolution which would conflict with Executive Order No. 107.

h. On March 23, 2020, the Governor issued Executive Order No. 109, whereby the Governor ordered all elective surgeries suspended as of March 27, 2020.

i. On March 25, 2020, the Governor issued Executive Order No. 110, whereby the Governor ordered all child care centers to close, except those certified to care for the children of essential persons, including essential government employees; health care workers; law enforcement personnel; fire and emergency services personnel; staff at correctional facilities; individuals employed at emergency child care centers operating on or after April 1, 2020; group home and shelter staff; essential government employees who are unable to work from home, including child protection services workers, child welfare workers, foster care workers, unemployment compensation processing staff, and public health employees; and certain critical workers at essential retail business.

j. On March 28, 2020, the Governor issued Executive Order No. 111, whereby the Governor ordered health care facilities to report data concerning their capacity and supplies on a daily basis.

k. On April 1, 2020, the Governor issued Executive Order No. 112, whereby the Governor ordered the removal of various statutory barriers applicable to various health care professionals and provided immunity to health care professionals and health care facilities aiding in the response by the State to the COVID-19 Pandemic.

l. On April 2, 2020, the Governor issued Executive Order No. 113, whereby the Governor authorized the State Director of Emergency Management, who is the Superintendent of State Police, to use the Governor's full authority to reallocate medical resources to the regions and health care facilities affected by COVID-19, to take or use, subject to the compensation provisions of the New Jersey Civilian Defense and Disaster Control Act, personal services and/or real or personal property, including medical resources, for the purpose of protecting or promoting the public health, safety, or welfare.

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m. On April 3, 2020, the Governor issued Executive Order No. 114, whereby the Governor ordered that the flags of the United States of America and of New Jersey shall be flown at half-staff at all State buildings in recognition and mourning of all those who have lost their lives and have been affected by COVID-19.

n. On April 6, 2020, the Governor issued Executive Order No. 115, whereby the Governor authorized, for the duration of the public health emergency and the state of emergency, the return by retirees of government agencies to employment without having to re-enroll in any retirement system.

o. On April 7, 2020, the Governor issued Executive Order No. 116, whereby the Governor extended the deadline to June 9, 2020, for the governing body of each municipality, after consultation with the school board of education, to present and to certify a tax levy to the county board of taxation; school districts that were scheduled to have their annual board of education elections on April 21, 2020, but which were postponed to May 12, 2020, have until June 5, 2020 to provide notice to non-tenured teaching staff members as to whether they will be employed for the next succeeding year and such non-tenured teaching staff members have until June 22, 2020 to accept such employment offers by such school districts; the terms of school board of education members whose terms were set to expire at the first organizational meeting following the postponed April 21, 2020 election shall be extended to the first organizational meeting following the May 12, 2020 election; and the terms of such school board of education members elected at the May 12, 2020 election shall run as though they had taken office at the first organizational meeting following the originally scheduled April 21, 2020 election.

p. On April 7, 2020, the Governor issued Executive Order No. 117, whereby the Governor, among other things, waived and cancelled the eighth-grade student assessment for the 2019-2020 school year; waived and cancelled the twelfth-grade student assessment for any student who is expected to graduate in the class of 2020, but who had not, as of March 18, 2020, met such graduation assessment requirement; waived the requirement that student growth data be used as a measure of educator effectiveness in the overall evaluation of any educator; and waived the requirement of three observations and evaluations for all non-tenured teaching staff for the 2019-2020 school year.

q. On April 7, 2020, the Governor issued Executive Order No. 118, whereby the Governor ordered that all State parks and forests and all county parks be closed to the public.

r. On April 7, 2020, the Governor issued Executive Order No. 119, whereby the Governor ordered that all executive orders, and all Executive Branch department and agency actions, including any administrative orders adopted in whole or in part based on the authority under the Emergency Health Powers Act, P.L.2005, c.222 (C.26:13-1, et seq.), remain in full force in effect.

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s. On April 8, 2020, the Governor issued Executive Order No. 120, whereby the Governor ordered the federal and State primary elections scheduled for June 2, 2020, be postponed and rescheduled for July 7, 2020; and any other election scheduled for a date on or between May 13, 2020, and July 7, 2020, be postponed and rescheduled for July 7, 2020.

t. On April 8, 2020, the Governor issued Executive Order No. 121, whereby the Governor authorized motor vehicles transporting relief supplies necessary for the response to the COVID-19 Pandemic public health emergency and state of emergency via certain interstate highways and toll roads in the State to receive special permits from the Department of Transportation to increase the maximum motor vehicle weight on a vehicle with a minimum of five axles.

u. On April 8, 2020, the Governor issued Executive Order No. 122, whereby the Governor ordered: (1) essential retail businesses that are permitted to maintain in-person operations pursuant to Executive Order No. 107, to limit occupancy to fifty percent of the stated maximum store capacity, establish hours of operation that permit access solely to high-risk individuals as defined by the Centers for Disease Control and Prevention, install physical barriers between customers and cashiers/baggers to ensure six feet of distance between those individuals, require infection control practices for employees and provide employees break time for repeated handwashing throughout the workday, arrange for contactless pay, pickup and delivery options, provide sanitization materials to staff and customers, require frequent sanitization of high-touch areas such as restrooms, credit card machines, keypads, counters and shopping carts, demarcate six feet of spacing in check-out lines, and require employees and customers to wear cloth face coverings while on premises; (2) all non-essential construction projects to cease; (3) all manufacturing businesses, warehousing businesses and businesses engaged in essential construction projects (as defined in the Executive Order) to limit the number of persons at the worksite concurrently and to adopt social distancing and infection control, mitigation and sanitization policies to prevent the spread of COVID-19; (4) all manufacturing businesses, warehousing businesses and businesses engaged in essential construction projects to adopt policies to address situations where an employee appears to demonstrate COVID-19 symptoms during the work day, to notify employees of potential exposure to COVID-19, to clean and disinfect worksite areas, and to maintain a clean and safe workplace environment; and (5) businesses authorized to maintain in-person operations pursuant to Executive Order No. 107, to adopt certain cleaning protocols where operations are conducted.

v. On April 9, 2020, the Governor issued Executive Order No. 123, whereby the Governor ordered certain insurance companies not to cancel policies during the emergency grace periods as a result of nonpayment of premiums; and authorized the Commissioner of Banking and Insurance to extend the emergency grace periods further

as necessary to protect the interests of policyholders, beneficiaries and the public.

w. On April 10, 2020, the Governor issued Executive Order No. 124, whereby the Governor authorized a process for the release of inmates by means of parole or temporary emergency medical home confinement to reduce the threat to inmates posed by COVID-19 in a correctional setting.

x. On April 11, 2020, the Governor issued Executive Order No. 125, whereby the Governor ordered New Jersey Transit, private New Jersey Transit-affiliated motor carriers, private unaffiliated motor carriers, and private paratransit carriers to establish infection control, mitigation and sanitization policies to prevent the spread of COVID-19; restaurants, cafeterias, dining establishments, food courts, bars, and other holders of liquor licenses with retail consumption privileges that are continuing to offer food delivery and/or take-out services pursuant to Executive Order No. 107 to adopt social distancing and infection control, mitigation and sanitization policies to prevent the spread of COVID-19.

y. On April 13, 2020, the Legislature passed P.L.2020, c.19, whereby the Legislature: (1) extended the due date for the filing of quarterly and annual returns and the payment of tax due pursuant to the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq., or the "Corporation Business Tax Act (1945)," P.L.1945, c.162 (C.54:10A-1 et seq.), from April 15, 2020 to July 15, 2020; and (2) for purposes of the State's general appropriation law, provided that the State fiscal year scheduled to end on June 30, 2020, shall end on September 30, 2020, and the subsequent fiscal year shall begin on October 1, 2020, and shall end on June 30, 2021.

z. On April 13, 2020, the Governor issued Executive Order No. 126, whereby the Governor ordered that no cable or telecommunications provider that provides residential internet and voice services to State residents shall terminate such internet and voice services due to nonpayment during the public health emergency and state of emergency; authorized a cable or telecommunications provider to State residents to downgrade or reduce the quality of residential internet or voice services due to nonpayment only if acting according to a policy approved in writing by the New Jersey Board of Public Utilities; authorized a cable or telecommunications provider to State residents to collect a fee or charge imposed for late payments relating to residential internet service or imposed for reconnection of voice services only if acting according to a policy approved in writing by the New Jersey Board of Public Utilities; and authorized reconnection of residential internet or voice services which were discontinued due to nonpayment after March 16, 2020, including where the disconnection was for unpaid bills incurred prior to March 16, 2020, at no cost to the customer beyond the actual costs incurred by the provider.

aa. On April 14, 2020, the Governor issued Executive Order No. 127, whereby the Governor ordered an extension of deadlines in

contested cases and for filing of any recommended report or decision under the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1, et seq.), unless the contested case is proceeding as emergent or is on appeal to the Civil Service Commission from certain adverse actions; ordered an extension of the deadline for notices of rule proposal if the rule proposal was published in the New Jersey Register on or after April 15, 2019, and the notice of rule proposal would otherwise expire without the benefit of such an extension; ordered an extension of the deadline for any Executive Branch department or agency to act on any currently pending petition for rulemaking or on any petition for rulemaking filed during the public health emergency, or any Executive Branch department or agency rule prescribing procedures for the consideration and disposition of petitions for rulemaking; ordered an extension of the expiration date of any rule scheduled to expire during the public health emergency; authorized the further extension of any deadline or expiration date upon request of the Executive Branch department or agency and upon written approval of the Governor; and extended the deadline by which any State officer or employee is required to file a financial disclosure statement pursuant to Executive Order No. 2 (Murphy 2018) or a conflict of interest form pursuant to Executive Order No. 14 (Corzine 2006) to July 31, 2020.

bb. On April 24, 2020, the Governor issued Executive Order No. 128, whereby the Governor authorized the use of security deposits, upon the request from a tenant, to pay or be credited against rent payments due or to become due from the tenant during the public health emergency or up to sixty days after the public health emergency terminates.

cc. On April 27, 2020, the Governor issued Executive Order No. 129, whereby the Governor ordered the extension of all retired officer carry permits that expire during the public health emergency for a period of 90 days after the end of the public health emergency, provided that the permit holder submits a renewal application prior to the expiration of their existing permit or prior to May 4, 2020, which is later, and the permit holder submits proof of qualification on the use of their weapon.

dd. On April 28, 2020, the Governor issued Executive Order No. 130, whereby the Governor authorized the governing body of any municipality in the State to adopt a resolution instituting a grace period concluding on a date no later than June 1, 2020, for the payment of second-quarter property taxes for municipalities on a calendar year budget cycle and for the payment of fourth-quarter property taxes for municipalities on a State fiscal year (July 1 to June 30) budget cycle.

ee. On April 28, 2020, the Governor issued Executive Order No. 131, whereby the Governor established the Governor's Restart and Recovery Commission to provide advice and guidance to the Governor for reopening the State economy in a way that is consistent

with the State's public health efforts to slow the spread of COVID-19.

ff. On April 29, 2020, the Governor issued Executive Order No. 132, whereby the Governor authorized electronic submission of initiative and referendum petitions to county clerks and municipal clerks in addition to hand delivery of such petitions; authorized county clerks and municipal clerks to also accept electronic signatures on such petitions via an online form; and suspended the statutory requirement for a notarized affidavit to be submitted attesting to the validity of signatures on such petitions.

gg. On April 29, 2020, the Governor issued Executive Order No. 133, whereby the Governor ordered the reopening of State parks and forests for passive recreational activities in which social distancing can be readily achieved but ordered that certain other activities remain closed; set forth restrictions, recommendations and policies for social distancing at State parks and forests; ordered the opening of county parks; and ordered that social distancing restrictions, recommendations and policies be followed at county and municipal parks, and at golf courses that are opened to the public.

hh. The COVID-19 Pandemic has had a severe impact on the State's economy. The long-term and short-term capital markets have experienced significant deterioration in value and increased volatility, which can affect the liquidity and results of operations of businesses in the State and the State economy as a whole and which has significantly and materially adversely affected and continues to significantly and materially adversely affect the State's financial resources for Fiscal Year 2020 and Fiscal Year 2021.

ii. The impact of COVID-19 on the State, its economy, budget and finances is unpredictable and rapidly changing, but events surrounding COVID-19 will severely and negatively impact the State's economy and financial condition. Some of the negative impacts that the State has currently identified include:

(1) The State expects precipitous declines in revenues in Fiscal Year 2020 and Fiscal Year 2021, which include significant reductions in gross income tax revenues, corporation business tax revenues, and sales and use tax revenues due to required business shutdowns; motor fuels taxes due to mandated "stay-at home" orders; casino-related taxes due to casino closures; and lottery sales which have already started to decline;

(2) The State expects that it will need to significantly revise the estimated revenues and projected appropriations for Fiscal Years 2020 and 2021 contained in the Governor's Budget Message for Fiscal Year 2021 on February 25, 2020, which was delivered before the outbreak of COVID-19 within the State; and

(3) The State may encounter future increases in the State's actuarially recommended contributions to the State's pension plans to the extent that the valuation of pension plans is affected by the deterioration in value in the investment markets.

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jj. Events surrounding COVID-19 have caused and will continue to cause severe and negative impacts on the economy and financial condition of the State's local government units and has increased and will continue to increase volatility in long-term and short-term capital markets on which local government units rely to meet operating expenses.

kk. From April 29, 2020 to the present, the Legislature and the Governor have continued to seek ways to restart the State economy and recover from the financial problems resulting from the COVID-19 Pandemic.

ll. It is necessary for the State to take action to ensure the continued viability of the State's and local government units' financial condition and to assist the State's population in dealing with the financial and economic problems resulting from the COVID-19 Pandemic through the issuance of general obligations bonds, and borrowings from the federal government pursuant to this act to provide financial resources for the State budget and for local government units' budgets.

mm. This act authorizes the issuance of bonds, and borrowing from the federal government in accordance with Article VIII, Section II, paragraph 3, subparagraph e. of the Constitution of the State to respond to the fiscal exigencies caused by the COVID-19 Pandemic and to maintain and preserve the fiscal integrity of the State and its local government units.

3. The following words or terms as used in this act shall have the following meanings unless a different meaning clearly appears from the context:

"Bonds" means any bonds, notes or other obligations authorized to be issued under this act.

"COVID-19" means the SARS-CoV-2 novel coronavirus.

"COVID-19 Pandemic" means the outbreak of COVID-19 throughout the world, declared to be a pandemic by the World Health Organization on March 11, 2020.

"Director" means the Director of the Division of Local Government Services in the Department of Community Affairs.

"Emergency Liquidity Notes" means bonds authorized to be issued pursuant to subsection d. of section 4 of this act.

"Federal Government" means the United States of America, any agency or instrumentality of the United States of America and any other entity, including, without limitation, any facility or special purpose vehicle, that is authorized to make loans to the State or to the State on behalf of local government units pursuant to any federal stimulus law. The term "Federal Government" is to be interpreted broadly with the intent that the State shall be authorized to borrow from such lenders as may be necessary or desirable to enable the State to receive loans under or pursuant to federal stimulus laws to the fullest extent possible.

“Federal stimulus laws” means any federal laws enacted to address the fiscal and economic crisis resulting from the COVID-19 Pandemic, including but not limited to the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), Pub.L.116-136, codified at 134 Stat. 281 or any other federal stimulus law related to the COVID-19 Pandemic, and any other federal laws that may authorize or support lending to the State or to the State on behalf of its local government units, including, but not limited to, Section 13(3) of the Federal Reserve Act, which laws, among other things, provide for loans or grants to the State and to the State on behalf of its local government units to address the economic crisis.

“Financial assistance” means the provision of any loans to or the purchase of any local government securities from local government units for the purpose of providing monetary relief to local government units to address adverse fiscal impacts resulting from the COVID-19 Pandemic.

“Government securities” means any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any federal agency, to the extent those obligations are unconditionally guaranteed by the United States of America, and any certificates or any other evidences of an ownership interest in those obligations of, or unconditionally guaranteed by, the United States of America or in specified portions which may consist of the principal of, or the interest on, such obligations. Except for purposes of Sections 20 and 21 of this act, the term “government securities” shall also include local government securities.

“Local government unit” means a county, municipality, or other political subdivision of the State or any agency, authority, or other governmental entity thereof.

“Local government securities” means, securities, notes, warrants, bond anticipation notes, commercial paper, certificates of indebtedness, certificates of participation in any lease or sale, or any other evidence of indebtedness that is a general obligation of, or an obligation guaranteed as to principal and interest by, an investment grade local government unit.

“New Jersey COVID-19 State Emergency Fund” means the fund by that name created and established pursuant to section 13 of this act.

“New Jersey COVID-19 State Emergency Liquidity Fund” means the fund by that name created and established pursuant to section 13 of this act.

“New Jersey COVID-19 State Stimulus Fund” means the fund by that name created and established pursuant to section 13 of this act.

“New Jersey COVID-19 Local Government Unit Emergency Fund” means the fund by that name created and established pursuant to section 13 of this act.

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“Refund” or “Refunding” means providing for the payment of a bond on or prior to its maturity or upon redemption or prepayment prior to maturity, as authorized in this act.

“Refunding bonds” means any bonds issued under this act to refund bonds previously issued pursuant to this act.

“State” means the State of New Jersey.

4. a. Bonds of the State of New Jersey are authorized to be issued to address the State’s financial problems that have arisen as a consequence of the COVID-19 Pandemic. The bonds authorized pursuant to this subsection a. of section 4 of this act are authorized to be issued in the aggregate principal amount of \$5,000,000,000.

b. In addition to bonds authorized pursuant to subsection a. of this section 4, notwithstanding any other law to the contrary, the State, acting through the Governor or through the State Treasurer with the consent of the Governor, is hereby authorized to borrow from the federal government for the benefit of the State in such amounts and on such terms as the federal government sets forth in or pursuant to any federal stimulus law. Any such monies received shall be considered monies deposited with the State by the government of the United States for purposes of Article VIII, Section II, paragraph 3, subparagraph e. of the Constitution of the State. Any such borrowing shall be treated as a bond for the purposes of sections 7, 23, and 24 of this act.

c. In addition to bonds authorized pursuant to subsections a. and b. of this section 4, the State, acting through the Governor or through the State Treasurer with the consent of the Governor, is hereby authorized to borrow from the federal government in such amounts and on such terms as the federal government sets forth in or pursuant to any federal stimulus law for the purpose of providing financial assistance to local government units, provided, however, that the State shall not borrow from the federal government pursuant to this subsection c. for the purpose of providing financial assistance to local government units that are eligible on their own behalf to borrow from the federal government pursuant to any federal stimulus law.

Any such monies received shall be considered monies deposited with the State by the government of the United States for purposes of Article VIII, Section II, paragraph 3, subparagraph e. of the Constitution of the State. Any such borrowing shall be treated as a bond for the purposes of sections 7, 23 and 24 of this act. Applications from local government units for financial assistance shall be received by the Director. Such financial assistance shall be allocated where needed to assist a local government unit suffering from serious fiscal distress due to the COVID-19 Pandemic to meet immediate budgetary needs and regain financial stability. Evidence of severe financial distress may include, but shall not be limited to: limited ability to raise supplemental non-property tax revenues, extraordinary demands for public safety appropriations, difficulties making payments of debt service on obligations of the local

government unit, and other factors indicating a constrained ability to raise sufficient revenues to meet budgetary requirements that substantially jeopardizes the fiscal integrity of the local government unit. The Director shall promulgate rules and regulations pursuant to the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1, et seq.), setting forth the application process, the criteria by which applications shall be considered, the terms of securing local government repayment obligations, and the terms and conditions of the financial assistance. These rules and regulations shall be adopted on an emergency basis by the Director in consultation with the State Treasurer.

d. In addition to bonds authorized pursuant to subsections a., b., and c. of this section 4, bonds are authorized to be issued in the form of short term notes to provide effective cash flow management for revenues and expenditures of the General Fund and the Property Tax Relief Fund in the implementation of the annual appropriations acts for Fiscal Year 2020 and Fiscal Year 2021. Such short-term notes shall be issued in such amounts and at such times as the issuing officials herein named shall deem necessary for the above stated purposes and for the payment of related costs.

e. Refunding bonds are authorized to be issued to refund bonds previously issued under this act in whole or in part. Refunding bonds shall be issued in an amount not to exceed the amount necessary to pay or to provide for the payment of the principal of the outstanding bonds to be refunded, together with any redemption premium on the outstanding bonds, any interest accrued or to accrue on the outstanding bonds to be refunded to the date of payment of those outstanding bonds, the expenses of issuing the refunding bonds and the expenses, if any, of paying the outstanding bonds to be refunded. Refunding bonds may be issued hereunder without regard to the "Refunding Bond Act of 1985," P.L.1985, c.74, as amended by P.L.1992, c.182 (C.49:2B-1 et seq.).

5. The bonds authorized under this act shall be serial bonds, term bonds, notes, or a combination thereof. The bonds authorized under subsections a., b., and c. of section 4 of this act shall be known as "New Jersey COVID-19 General Obligation Emergency Bonds." The bonds authorized under subsections b. and c. of section 4 of this act shall bear such additional designation as may be required by the federal government pursuant to the applicable federal stimulus laws. The bonds authorized under subsection d. of section 4 of this act shall be known as "New Jersey COVID-19 General Obligation Emergency Liquidity Notes." The bonds authorized under subsection e. of section 4 of this act shall be known as "New Jersey COVID-19 General Obligation Emergency Refunding Bonds." All bonds shall be issued from time to time as the issuing officials shall determine, shall be issued in fully-registered form and may be certificated or in book-entry form. The bonds may be subject to redemption prior to maturity and shall mature and be paid not later than 35 years from

the respective dates of their issuance. Bonds issued under this Act are authorized by and shall be issued under and in compliance with Article VIII, Section II, paragraph 3, subparagraph e. of the Constitution of the State

6. The Governor, the State Treasurer, and the Director of the Division of Budget and Accounting in the Department of the Treasury, or any two of these officials, herein referred to as the "issuing officials," are authorized to carry out the provisions of this act relating to the issuance of bonds, and shall determine all matters in connection therewith, subject to the provisions of this act. If an issuing official is absent from the State or incapable of acting for any reason, the powers and duties of that issuing official shall be exercised and performed by the person authorized by law to act in an official capacity in the place of that issuing official.

7. Bonds issued in accordance with the provisions of this act shall be a direct obligation of the State, and the faith and credit of the State are pledged for the payment of the interest and redemption premium, if any, thereon when due, and for the payment of the principal thereof at maturity or earlier redemption date. The principal of and interest on the bonds shall be exempt from taxation by the State or by any county, municipality, or other taxing district of the State.

8. The bonds shall be signed in the name of the State by means of the manual or facsimile signature of the Governor, and attested by the manual or facsimile signature of the Secretary of State or an Assistant Secretary of State, and shall be countersigned by the facsimile signature of the Director of the Division of Budget and Accounting in the Department of the Treasury and may be manually authenticated by an authenticating agent or bond registrar, as the issuing officials shall determine. The bonds may be issued notwithstanding that an official signing them or whose manual or facsimile signature appears on the bonds has ceased to hold office at the time of issuance, or at the time of the delivery of the bonds to the purchasers thereof. The bonds may also be executed, authenticated, and delivered by electronic means.

9. a. The bonds shall recite that they are issued for the purposes set forth in section 4 of this act, and that they are issued pursuant to this act. This recital shall be conclusive evidence of the authority of the State to issue the bonds and their validity. Any bonds containing this recital shall, in any suit, action, or proceeding involving their validity, be conclusively deemed to be fully authorized by this act and to have been issued, sold, executed, and delivered in conformity herewith and with all other provisions of laws applicable hereto, and shall be incontestable for any cause.

b. The bonds shall be issued in those denominations and in fully-registered form, and may be certificated or in book-entry form, and

with or without provisions for interchangeability thereof, as may be determined by the issuing officials.

10. When the bonds are issued from time to time, the bonds of each issue shall constitute a separate series to be designated by the issuing officials. Each series of bonds shall bear such rate or rates of interest as may be determined by the issuing officials, which interest shall be payable semiannually, except that the first and last interest periods may be longer or shorter, in order that intervening semiannual payments may be at convenient dates, or as otherwise may be required by the applicable federal stimulus law.

11. a. The issuing officials may sell the bonds at a private sale, without advertisement, at such price or prices and under such terms and conditions as the issuing officials may prescribe. The issuing officials may also sell all or part of the bonds of any series to the federal government at a private sale, without advertisement. The bonds may also be issued and sold at public sale at the price or prices and under the terms, conditions and regulations as the issuing officials may prescribe, after notice of the sale, published at least once in at least three newspapers published in this State, the first notice to appear at least two days prior to the day of bidding. The notice of sale may contain a provision to the effect that any bid in pursuance thereof may be rejected.

b. In the event of any private sale of the bonds, the issuing officials are further authorized to enter into such loan agreements or similar documents as the purchaser may require. To the extent specified in any such loan or similar agreements, the terms and provisions thereof shall constitute additional provisions of the bonds and shall be entitled to the benefits of this act.

12. Until permanent bonds are prepared, the issuing officials may issue temporary bonds in the form and with those privileges as to their registration and exchange for permanent bonds as may be determined by the issuing officials.

13. The proceeds from the sale of bonds as set forth in subsection a. of section 4 of this act shall be paid to the State Treasurer, shall be held by the State Treasurer in a separate fund, which fund shall be known as the "New Jersey COVID-19 State Emergency Fund," and shall be deposited in such depositories as may be selected by the State Treasurer to the credit of the fund.

The proceeds of any loan by the federal government pursuant to a federal stimulus law as set forth in subsection b. of section 4 of this act shall be paid to the State Treasurer, shall be held by the State Treasurer in a separate fund, which fund shall be known as the "New Jersey COVID-19 State Stimulus Fund," and shall be deposited in such depositories as may be selected by the State Treasurer to the credit of the fund.

The proceeds from the sale of emergency liquidity notes as set forth in subsection d. of section 4 of this act shall be paid to the State Treasurer, shall be held by the State Treasurer in a separate fund, which fund shall be known as the "New Jersey COVID-19 State Emergency Liquidity Fund," and shall be deposited in such depositories as may be selected by the State Treasurer to the credit of the fund.

The proceeds of any loan by the federal government pursuant to a federal stimulus law to provide financial assistance to the State for the benefit of local government units as set forth in subsection c. of section 4 of this act shall be paid to the State Treasurer, shall be held by the State Treasurer in a separate fund, which fund shall be known as the "New Jersey COVID-19 Local Government Unit Emergency Fund," and shall be deposited in such depositories as may be selected by the State Treasurer to the credit of the fund.

14. Amounts on deposit in the New Jersey COVID-19 State Emergency Fund and in the New Jersey COVID-19 State Stimulus Fund shall be withdrawn by the State Treasurer from time to time and are appropriated for deposit into the General Fund of the State. Amounts on deposit in the New Jersey COVID-19 State Emergency Liquidity Fund shall be withdrawn by the State Treasurer from time to time for deposit into the General Fund or the Property Tax Relief Fund of the State. However, no moneys in the New Jersey COVID-19 State Emergency Fund, the New Jersey COVID-19 State Stimulus Fund or the New Jersey COVID-19 State Emergency Liquidity Fund shall be expended from the New Jersey COVID-19 State Emergency Fund, the New Jersey COVID-19 State Stimulus Fund or the New Jersey COVID-19 State Emergency Liquidity Fund except as otherwise authorized by this act.

15. Amounts on deposit in the New Jersey COVID-19 Local Government Unit Emergency Fund shall be withdrawn by the State Treasurer from time to time and are appropriated, and shall be applied to the provision of financial assistance to local government units as set forth in subsection c. of section 4 of this act. However, no moneys in the New Jersey COVID-19 Local Government Unit Emergency Fund shall be expended from the New Jersey COVID-19 Local Government Unit Emergency Fund except as authorized by this act.

16. a. At any time prior to the issuance and sale of bonds under this act, or borrowings from the federal government under this act, the State Treasurer is authorized to transfer from any available moneys in any fund of the treasury of the State to the credit of the New Jersey COVID-19 State Emergency Fund, the New Jersey COVID-19 State Stimulus Fund, the New Jersey COVID-19 State Emergency Liquidity Fund or the New Jersey COVID-19 Local Government Unit Emergency Fund those sums as the State Treasurer may deem necessary. The sums so transferred shall be returned to

the same fund of the treasury of the State by the State Treasurer from the proceeds of the sale of bonds, a loan or loans by the federal government pursuant to a federal stimulus law as set forth in subsections b. and c. of section 4 of this act, or the sale of emergency liquidity notes, as the case may be.

b. Pending their application to the purposes provided in this act, the moneys in the New Jersey COVID-19 State Emergency Fund, the New Jersey COVID-19 State Stimulus Fund, the New Jersey COVID-19 State Emergency Liquidity Fund, and the New Jersey COVID-19 Local Government Unit Emergency Fund may be invested and reinvested as are other trust funds in the custody of the State Treasurer, in the manner provided by law and may be invested or reinvested in local government securities. Net earnings received from the investment, reinvestment, or deposit of moneys in the New Jersey COVID-19 State Emergency Fund, the New Jersey COVID-19 State Stimulus Fund, the New Jersey COVID-19 State Emergency Liquidity Fund, and the New Jersey COVID-19 Local Government Unit Emergency Fund shall be paid into the General Fund.

17. If any bond is lost, mutilated, or destroyed, a new bond shall be executed and delivered of like tenor, in substitution for the lost, mutilated, or destroyed bond, upon the owner furnishing to the issuing officials evidence satisfactory to them of the loss, mutilation, or destruction of the bond, the ownership thereof, and security, indemnity, and reimbursement for expenses connected therewith, as the issuing officials may require.

18. The accrued interest, if any, received upon the sale of the bonds shall be applied to the discharge of a like amount of interest upon the bonds when due. Any expense incurred by the issuing officials for advertising, engraving, printing, clerical, authenticating, registering, legal, or other services necessary to carry out the duties imposed upon them by the provisions of this act shall be paid from the proceeds of the sale of the bonds by the State Treasurer, upon the warrant of the Director of the Division of Budget and Accounting in the Department of the Treasury, in the same manner as other obligations of the State are paid.

19. Bonds of each series issued hereunder shall mature, including any sinking fund redemptions, not later than the 35th year from the date of issue of that series, and in amounts as shall be determined by the issuing officials. The issuing officials may reserve to the State by appropriate provision in the bonds of any series the power to redeem any of the bonds prior to maturity at the price or prices and upon the terms and conditions as may be provided in the bonds.

20. a. Proceeds derived from the sale of each series of refunding bonds shall be applied, together with any other moneys legally available therefor, to the payment of the expenses authorized by this

act and to the immediate payment of the principal of, redemption premium, if any, and interest due on any outstanding bonds to be refunded by the refunding bonds, or, to the extent not required for that immediate payment, shall be deposited, together with any other moneys legally available therefor, in trust with the State Treasurer, to be held separate and apart from all other funds of the State, or, at the direction of the issuing officials, in trust with one or more trustees or escrow agents, which trustees or escrow agents shall be trust companies or national or state banks having powers of a trust company, located either within or without the State. Proceeds or moneys deposited in trust with the State Treasurer or with one or more trustees or escrow agents shall be applied solely to the payment when due of the principal of, redemption premium, if any, and interest due and to become due on those outstanding bonds to be refunded on or prior to the redemption date or maturity date of the outstanding bonds, as the case may be. Proceeds or moneys so held by the State Treasurer or deposited with trustees or escrow agents may be invested in government securities (including government securities issued or held in book-entry form on the books of the Department of the Treasury of the United States); except that those government securities shall not be subject to redemption prior to their maturity other than at the option of the holder thereof. Except as provided in subsection b. of this section 20, neither government securities nor moneys so deposited with the State Treasurer or with trustees or escrow agents shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of, redemption premium, if any, and interest on the outstanding bonds to be refunded by the refunding bonds; except that any cash received from principal or interest payments on government securities deposited with the State Treasurer or with trustees or escrow agents: (1) to the extent that the cash will not be required at any time for that purpose, shall be paid over to the State as received by the State Treasurer or by the trustees or escrow agents, and (2) to the extent that cash will be required for that purpose at a later date, shall, to the extent practicable and legally permissible, be reinvested in government securities maturing at times and in amounts sufficient to pay when due the principal of, redemption premium, if any, and interest to become due on the outstanding bonds on and prior to the redemption date or maturity date of the outstanding bonds, as the case may be, and interest earned from those reinvestments to the extent not required for the payment of bonds shall be paid over to the State, as received by the State Treasurer or by the trustees or escrow agents.

b. Notwithstanding anything to the contrary contained in this section: (1) the State Treasurer or trustees or escrow agents shall, if so directed by the issuing officials, apply moneys on deposit with the State Treasurer or the trustees or escrow agents pursuant to the provisions of this section and redeem or sell government securities so deposited with the State Treasurer or the trustees or escrow agents and apply the proceeds thereof to: (a) the purchase of the outstanding

bonds which were refunded by the deposit with the State Treasurer or the trustees or escrow agents of the moneys and government securities and immediately thereafter cancel all outstanding bonds so purchased or (b) the purchase of different government securities; except that the moneys and government securities on deposit with the State Treasurer or the trustees or escrow agents after the purchase and cancellation of the outstanding bonds or the purchase of different government securities shall be sufficient to pay, when due, the principal of, redemption premium, if any, and interest on all other outstanding bonds in respect of which the moneys and government securities were deposited with the State Treasurer or the trustees or escrow agents on or prior to the redemption date or maturity date of the outstanding bonds, as the case may be; and (2) if on any date, as a result of any purchases and cancellations of outstanding bonds or any purchases of different government securities as provided in this subsection, the total amount of moneys and government securities remaining on deposit with the State Treasurer or the trustees or escrow agents is in excess of the total amount which would have been required to be deposited with the State Treasurer or the trustees or escrow agents on that date in respect of the remaining outstanding bonds for which the deposit was made in order to pay when due the principal of, redemption premium, if any, and interest on those remaining outstanding bonds, the State Treasurer or the trustees or escrow agents shall, if so directed by the issuing officials, pay the amount of that excess to the State.

c. Any amounts held by the State Treasurer in a separate fund for the payment of the principal of and interest on outstanding bonds to be refunded, as provided in this section, shall, if so directed by the issuing officials, be transferred by the State Treasurer for deposit with one or more trustees or escrow agents as provided in this section, to be applied to the payment when due of the principal of, redemption premium, if any, and interest to become due on those outstanding bonds, as provided in this section.

d. The State Treasurer is authorized, upon direction of the issuing officials, to enter into contracts with one or more trust companies or national or state banks, to act as trustees or escrow agents as provided in this section, on terms and conditions as shall be approved by the issuing officials.

21. Any bond or bonds issued hereunder that have been refunded shall no longer be deemed to be outstanding, shall no longer constitute a direct obligation of the State of New Jersey, and the faith and credit of the State shall no longer be pledged to the payment of the principal of, redemption premium, if any, and interest on such bonds, and such bonds shall be secured solely by and payable solely from moneys and government securities deposited in trust with one or more trustees or escrow agents, which trustees and escrow agents shall be trust companies or national or state banks having powers of a trust company, located either within or without the State, as

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provided herein, whenever there shall be deposited in trust with the trustees or escrow agents, as provided herein, either moneys or government securities, including government securities issued or held in book-entry form on the books of the Department of Treasury of the United States, the principal of and interest on which when due will provide money which, together with the moneys, if any, deposited with the trustees or escrow agents at the same time, shall be sufficient to pay when due the principal of, redemption premium, if any, and interest due and to become due on the bonds on or prior to the redemption date or maturity date thereof, as the case may be; provided the government securities shall not be subject to redemption prior to their maturity other than at the option of the holder thereof. The State of New Jersey hereby covenants with the holders of any bonds for which government securities or moneys shall have been deposited in trust with the trustees or escrow agents as provided in this section that, except as otherwise provided in this section, neither the government securities nor moneys so deposited with the trustees or escrow agents shall be withdrawn or used by the State for any purpose other than, and shall be held in trust for, the payment of the principal of, redemption premium, if any, and interest to become due on the bonds; provided that any cash received from the principal or interest payments on the government securities deposited with the trustees or escrow agents, to the extent such cash will not be required at any time for that purpose, shall be paid over to the State, as received by the trustees or escrow agents, free and clear of any trust, lien, pledge, or assignment securing the bonds; and to the extent the cash will be required for that purpose at a later date, shall, to the extent practicable and legally permissible, be reinvested in government securities maturing at times and in amounts sufficient to pay when due the principal of, redemption premium, if any, and interest to become due on the bonds on and prior to the redemption date or maturity date thereof, as the case may be, and interest earned from the reinvestments shall be paid over to the State, as received by the trustees or escrow agents, free and clear of any trust, lien, or pledge securing the bonds. Notwithstanding anything to the contrary contained herein: a. the trustees or escrow agents shall, if so directed by the issuing officials, apply moneys on deposit with the trustees or escrow agents pursuant to the provisions of this section, and redeem or sell government securities so deposited with the trustees or escrow agents, and apply the proceeds thereof to (1) the purchase of the bonds which were refunded by the deposit with the trustees or escrow agents of the moneys and government securities and immediately thereafter cancel all bonds so purchased, or (2) the purchase of different government securities; provided however, that the moneys and government securities on deposit with the trustees or escrow agents after the purchase and cancellation of the bonds or the purchase of different government securities shall be sufficient to pay when due the principal of, redemption premium, if any, and interest on all other bonds in respect of which the moneys and government

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securities were deposited with the trustees or escrow agents on or prior to the redemption date or maturity date thereof, as the case may be; and b. in the event that on any date, as a result of any purchases and cancellations of bonds or any purchases of different government securities, as provided in this sentence, the total amount of moneys and government securities remaining on deposit with the trustees or escrow agents is in excess of the total amount then required to be on deposit with the trustees or escrow agents on that date in respect of the remaining bonds for which the deposit was made in order to pay when due the principal of, redemption premium, if any, and interest on the remaining bonds, the trustees or escrow agents shall, if so directed by the issuing officials, pay the amount of the excess to the State, free and clear of any trust, lien, pledge, or assignment securing the refunding bonds.

22. Refunding bonds issued pursuant to this act may be consolidated with other bonds issued pursuant to section 4 of this act or with bonds or refunding general obligation bonds issued pursuant to any other act for purposes of sale.

23. To provide funds to meet the interest and principal payment requirements for the bonds, including refunding bonds, issued under this act and outstanding, there is appropriated in the order following:

a. Revenue derived from the collection of taxes under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.), or so much thereof as may be required; and

b. If, at any time, funds necessary to meet the interest, redemption premium, if any, and principal payments on outstanding bonds issued under this act are insufficient or not available, there shall be assessed, levied, and collected annually in each of the municipalities of the counties of this State, a tax on the real and personal property upon which municipal taxes are or shall be assessed, levied, and collected, sufficient to meet the interest on all outstanding bonds issued hereunder and on the bonds proposed to be issued under this act in the calendar year in which the tax is to be raised and for the payment of bonds falling due in the year following the year for which the tax is levied. The tax shall be assessed, levied, and collected in the same manner and at the same time as are other taxes upon real and personal property. The governing body of each municipality shall cause to be paid to the county treasurer of the county in which the municipality is located, on or before December 15 in each year, the amount of tax herein directed to be assessed and levied, and the county treasurer shall pay the amount of the tax to the State Treasurer on or before December 20 in each year.

If on or before December 31 in any year, the issuing officials, by resolution, determine that there are moneys in the General Fund beyond the needs of the State, sufficient to pay the principal of bonds falling due and all interest and redemption premium, if any, payable in the ensuing calendar year, the issuing officials shall file the

resolution in the office of the State Treasurer, whereupon the State Treasurer shall transfer the moneys to a separate fund to be designated by the State Treasurer, and shall pay the principal, redemption premium, if any, and interest out of that fund as the same shall become due and payable, and the other sources of payment of the principal, redemption premium, if any, and interest provided for in this section shall not then be available, and the receipts for the year from the tax specified in subsection a. of this section shall be considered and treated as part of the General Fund, available for general purposes.

24. Should the State Treasurer, by December 31 of any year, deem it necessary, because of the insufficiency of funds collected from the sources of revenues as provided in this act, to meet the interest and principal payments for the year after the ensuing year, then the State Treasurer shall certify to the Director of the Division of Budget and Accounting in the Department of the Treasury the amount necessary to be raised by taxation for those purposes, the same to be assessed, levied, and collected for and in the ensuing calendar year. The director shall, on or before March 1 following, calculate the amount in dollars to be assessed, levied, and collected in each county as herein set forth. This calculation shall be based upon the corrected assessed valuation of each county for the year preceding the year in which the tax is to be assessed, but the tax shall be assessed, levied, and collected upon the assessed valuation of the year in which the tax is assessed and levied. The director shall certify the amount to the county board of taxation and the treasurer of each county. The county board of taxation shall include the proper amount in the current tax levy of the several taxing districts of the county in proportion to the ratables as ascertained for the current year.

25. This act shall take effect immediately.

STATEMENT

This bill, entitled the "New Jersey COVID-19 Emergency Bond Act," authorizes the issuance of \$5,000,000,000 in State general obligation bonds to be used for the purpose of responding to the fiscal exigencies caused by the COVID-19 Pandemic. The bill also authorizes the Governor to apply for and receive federal stimulus loans for the benefit of the State, to apply for and receive federal stimulus loans for the benefit of local government units, and authorizes the issuance of refunding bonds and emergency liquidity notes.

The COVID-19 Pandemic has had a severe impact on the State's economy. The long-term and short-term capital markets have experienced significant deterioration in value and increased volatility, which can affect the liquidity and results of operations of

businesses in the State and the State economy as a whole and which has significantly and materially adversely affected and continues to significantly and materially adversely affect the State's financial resources for Fiscal Year 2020 and Fiscal Year 2021.

The impact of COVID-19 on the State, its economy, budget and finances is unpredictable and rapidly changing, but events surrounding COVID-19 will severely and negatively impact the State's economy and financial condition. Some of the negative impacts that the State has currently identified include:

(1) The State expects precipitous declines in revenues in Fiscal Year 2020 and Fiscal Year 2021, which include significant reductions in gross income tax revenues, corporate business tax revenues, and sales tax revenues due to required business shutdowns, motor fuels taxes due to mandated "stay-at home" orders, casino-related taxes due to casino closures, and lottery sales which have already started to decline;

(2) The State expects that it will need to significantly revise the estimated revenues and projected appropriations for Fiscal Years 2020 and 2021 contained in the Governor's Budget Message for Fiscal Year 2021 on February 25, 2020, which was delivered before the outbreak of COVID-19 within the State; and

(3) The State may encounter future increases in the State's actuarially recommended contributions to the State's pension plans to the extent that the valuation of pension plans is affected by the deterioration in value in the investment markets.

Events surrounding COVID-19 have caused and will continue to cause severe and negative impacts on the economy and financial condition of the State's local government units and has increased and will continue to increase volatility in long-term and short-term capital markets on which local government units rely to meet operating expenses.

It is necessary for the State to take action to ensure the continued viability of the State's and local government units' financial condition and to assist the State's population in dealing with the financial and economic problems resulting from the COVID-19 Pandemic through the issuance of general obligations bonds, and borrowings from the federal government pursuant to this act to provide financial resources for the State budget and for local government units' budgets.

This act authorizes the issuance of bonds, and borrowing from the federal government in accordance with Article VIII, Section II, paragraph 3, subparagraph e. of the Constitution of the State to respond to the fiscal exigencies caused by the COVID-19 Pandemic and to maintain and preserve the fiscal integrity of the State and its local government units.

“New Jersey COVID-19 Emergency Bond Act,” authorizes issuance of State bonds totaling \$5,000,000,000 and authorizes borrowing from federal government.

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